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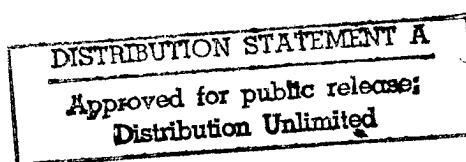
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23 MAY 1988



# ***JPRS Report***

# **China**

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# China

JPRS-CAR-88-024

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## Articles on Press Reform

### Party Control of Press Criticized

40050191b Shanghai SHIJIE JINGJI DAOBAO  
[WORLD ECONOMIC HERALD] in Chinese  
28 Mar 88 p 15

[Article by Du Gui [2629 4097]: "The Press Must Represent Different Social Interests"]

[Text] Uniformity in public opinion is caused by absolute political and economic centralization. What makes uniformity in public opinion possible are national isolation and the monopoly on information.

Public opinion reflects specific social interest groups and social strata. In a society with absolute political and economic centralization, only one set of interests is recognized, namely, the national interests; the interests and demands of all social strata and social groups are ignored. Thus, on the one hand, only the kind of public opinion which is compatible with national interests is acceptable. On the other hand, the state manufactures and controls public opinion to create uniformity.

Isolation is the most suitable social breeding ground for uniformity in public opinion. Because of vertical isolation, the public has access to only pre-screened, filtered information. It knows little about the nation's policy-making activities at all levels and is certainly not in a position to discuss politics and take part in and influence the policy-making process. Horizontal isolation means keeping out foreign news. The distribution of foreign newspapers and the reception of overseas TV and radio broadcasting is severely restricted. Broadcasts by foreign radio stations, labeled "enemy stations," are "jammed." The public can only create an image of their leaders, of foreign nations, and of China in the world based on the needs of national interests.

Ben (Bagedikan), the well-known American communications expert, says, "The mistakes of those who wield power have resulted in a poverty of knowledge and caused mankind incalculable suffering. They err, however, not because they are invariably foolish or evil. They err and will continue to err because the information that they take as an article of faith has not been subject to the powerful challenge of open, competing viewpoints."

Ben (Bagedikan's) words can be regarded as an explanatory note of the Cultural Revolution. During the 10 catastrophic years, the party's press, the only press in China, must subordinate itself to party leadership unconditionally. Unfortunately, party leadership was usurped by a handful of sham Marxist conspirators. In the name of the party and revolution, they controlled the news media and went all out to fabricate public opinion in order to overthrow the party and seize power. Ten thousand horses stood muted and the world was reduced to one voice.

At the time, all newspapers registered declining circulation. The only exception was CANKAO XIAOXI, a tabloid whose circulation rose consistently to be the highest in the nation. Still a restricted publication then, it was the only window through which the man in the street could catch a glimpse of the world, particularly the Western world. Only through this window could members of the public see China through the foreigner's eyes as well as the side of things unreported in RENMIN RIBAO. Equally popular were all sorts of reports circulated through the grapevine. That people dwelled upon such reports with great relish undoubtedly made a mockery of the uniformity in public opinion and news blackout. Nowadays the circulation of CANKAO XIAOXI has fallen, but not because it has gotten conservative and lost touch. The reason is that the public has gained access to much more information in other newspapers, through the mass media, and directly from foreigners.

According to Marxist-Leninist classics, the greatest enterprise in the socialist revolution is to establish the worker's interests. Our current social reform must not only establish such interests, but also recognize that for some time to come, different workers would have different interests and even conflicts. Gradually, individual units in the mass media would come to represent different interests, strata, and groups in society. Thus the appearance of a public opinion characterized by a lack of consensus is not inconceivable. The party represents the people's basic interests, but it cannot and should not represent the specific interests of disparate social groups among the people. Thus it cannot and should not control public opinion rock, stock, and barrel.

As a bridge linking the party and the people, the Chinese press should work both ways. On the one hand, it should steadfastly implement the party's and government's lines, principles, and policies and marshal the power of public opinion to promote all kinds of work. On the other hand, it should fully reflect the voices, demands, and aspirations of the public and fulfill the role of social opinion in supervising cadres' personal conduct and the decision-making process and in regulating and educating the masses.

Supervision by public opinion is a tangible manifestation of the Chinese people's right to supervise. Note that "people" here is a legal concept and refers to all citizens who hold PRC citizenship and enjoy constitutional rights.

Supervision by the people can take many forms, an important one of which is supervision by public opinion: through the mass media, the people get to understand the party's activities and policies and form public opinion. Thus the foremost task of supervision by public opinion is to supervise the policy-making process. During the policy-making process, the news media should publicize policy information, conduct discussions, fully reflect the opinions of each social stratum, pool the wisdom of the

masses, and, as much as possible, render policies scientific and consistent with public aspirations and interests. During the implementation process, the news media can test the policy in action through feedback. As the result of a certain democratic procedure, a misguided policy can be corrected and a correct policy made even better.

It should be noted that openness in news reporting is an inevitable consequence of the national policy of opening to the outside world as well as a result of media competition in the world today.

In recent years there has been a steady increase in the number of correspondents stationed on the mainland by foreign media organizations as well as journalists on short-term visits to China, 80 percent of them from the West. For some time now, foreign media have often "beaten" us to a major or sudden event in China. Sometimes only after they have exaggerated and distorted the facts do we come forward to clarify. This was particularly true with the student unrest in late 1986. At the time, students demonstrated in the streets during the day and got together to listen to foreign broadcasts at night in order to learn about student movements elsewhere. It is from foreign broadcasts that students get to know the "facts."

In the real world, of course, news reporting can only be as open and visible as political life is open. But the two can promote each other.

#### **Journalism Professor Views Role of Press**

40050191 Shanghai SHIJIE JINGJI DAOBAO  
[WORLD ECONOMIC HERALD] in Chinese  
28 Mar 88 p 15

[Text] Only the people can judge the press impartially, so says Gan Xifen [3827 1917 0433], a professor in the Journalism Department at Chinese People's University, in an article titled "Many Voices, One Direction" written for this paper recently.

In Professor Gan Xifen's opinion, this is how the public evaluates the press: 1) Information that is badly needed is scarce, while "news" of no interest to the people abounds; 2) The press reports only those facts which it wants the readers to know. It does not tell the truth or let the people know the true story; 3) It always sings the praises of the leadership and seldom criticizes the higher authorities. The exercise of supervision by public opinion is out of the question; 4) Instead of attacking the evils of our times boldly, it skirts them; 5) There is too little international news, as if China were on another planet; 6) It does not speak for the people when it comes to international affairs. It lacked the courage to even slightly criticize some countries until after diplomatic relations were broken off with them; 7) The country's leaders speak freely to foreign guests but are highly secretive in dealing with the people. This shows they distrust the people; 8) Socialism has no room for press freedom for the people. Not a single newspaper has the

courage to publish opinions at odds with "official opinion;" 9) How brave was the CPC-led press in the days of resistance to reactionary KMT rule. There is an acute need to further that kind of intellectual style these days; 10) Though controlled by monopoly capitalist cliques, the Western press appears to be independent, objective, and impartial and is highly worthy of our study. "Press freedom" must not be a monopoly of the West.

Gan Xifen thinks that the press today has three major failings, based on public evaluations:

**Uniformity**—All newspapers are under the centralized leadership of the party committees and speak with a single voice in propaganda. Before the CPC Central Committee takes up a position on a matter of overall importance, no newspaper is brave enough to express its opinion freely. As a result, some newspapers are full of bureaucratic airs and seldom behave as if they were on the side of the people. From the party committee's perspective, the party paper is the people's paper. As the masses see it, however, the paper belongs to the government.

**Isolation**—Externally, China has opened up to the outside world. Internally, it has invigorated its economy. But news broadcasting remains in a state of isolation. Characteristic of news reporting are exaggerating achievements, covering up mistakes, intra-party disputes, playing up good news, and whitewashing bad news. Isolation reached its peak during the 10 years of turmoil and has not been completely reversed so far. Every day we call on the people to speak the truth, yet newspapers are often the first to lie or tell half-truths. Their folly is to think that the people will stay in the dark if only they impose a news blackout. In fact, "the main road may be blocked, but small roads are still passable."

**Subordination**—Newspaper criticism has not gotten off the ground precisely because the press is subordinate to party committees. Some leading cadres use this kind of subordinate relationship to intimidate people and obstruct criticism. History has proved the harmful effects of the 1953 instruction of the Central Propaganda Department that a party newspaper cannot criticize the party committee of the same level. Over time, this prohibition has grown to cover a larger and larger area. People with power and influence and those who have backing are all beyond public criticism. "Catch the small fry but let the big fish get away."

Gan Xifen writes, "The party committee might think that the more it reins in the newspaper and the more tightly it controls it, the fewer the mistakes the paper will make. This may be true under correct party leadership. But under a different set of circumstances, that is, when the party committee itself errs, worse mistakes may occur if the party committee insists that the party newspaper be kept on a tight leash and serves as its mouthpiece. We need not go so far back as the 10 years

of turmoil. During the several years after the crushing of the 'gang of four' and even after the 3d Plenum, a few provincial CPC committees pursued the 'leftist' line and forced the provincial papers to commit the same error. In vain did the papers' editors try to resist. We can thus see that in this peaceful era, if we do not give the press a definite amount of autonomy or let them differentiate between right and wrong and commit themselves to truth, instead of churning out officialese endlessly, the results would be tragic." Gan Xifen also writes, "If press reform in China is to eliminate the three major shortcomings, it must zero in on subordination first. Party leadership over the press must be reformed."

Accordingly, Gan Xifen calls for the reshaping of a number of traditional journalism concepts formed over a long period of time. 1) Cultivate the notion of running a paper for the people. Develop a people orientation in journalism. 2) Inculcate the new all-round concept of "channelling information from the bottom up as well as from the top down so that there are mutual communication and understanding." 3) Analyze the concept of "news, old news, and no news" in earnest. It is part of the professional ethics of a reporter to keep state secrets and watch out for the national interest. But he must not expand the scope of old news. Nor should he hold back a certain piece of news or willfully impose a news blackout. Instead, he must report all news that should be made known to the public. The reporter should be allowed to determine how to write up the news in light of the circumstances. 4) Build up the concept of a diversified, multi-level press. 5) Foster the notion that newspapers may express different opinions while following the general direction of socialism. Everything must be subordinate to truth and the basic interests of the nation and the people. 6) Cultivate the concept of supervision by public opinion. 7) Instill the idea that nothing is beyond press criticism. Socialist democracy should be the highest form of democracy in human history. To declare certain areas out of the reach of press criticism is to regress from bourgeois democracy and is a sign of feudal privilege. 8) Cultivate a new notion of socialist press freedom. Engels said, "How can we seize freedom only to destroy our own freedom?" 9) Promote competition between different types of newspapers. It is better for us to debate openly in the press than to argue in private.

Gan Xifen concludes, "China today is in an era of great change. Those who swim with the tide would do well, those who go against it will perish. At this critical make-or-break juncture, China's press must sound a clarion call and be a guide for the people. Time and tide waits for no man. Our generation should bestir itself and catch up with this great era of transformation."

### Exploration of Professor's Ideas

40050189 Shanghai SHIJIE JINGJI DAOBAO  
[WORLD ECONOMIC HERALD] in Chinese  
4 Apr 88 p 15

[Article by Peng Jianfen [1756 1696 5358]: "Press Reform Vital to Socialist Democratic Construction"]

[Text] In an article entitled "Only the People Can Judge the Press Impartially" published in No 384 of SHIJIE JINGJI DAOBAO, Professor Gan Xifen [3827 1917 0433] pointed out that press reform in China must eliminate three major shortcomings—uniformity, isolation, and subordination, starting with subordination in order to improve party leadership over the press. His suggestion indeed hits the nail on the head. This article proposes to explore it further.

On condition that they obey the constitution and the law, news organizations should be granted political, economic, and organizational independence as appropriate. A newspaper should be free to decide its editorial policy and economic and personnel management and assume obligations and responsibilities independently as a legal person. It should also assume independently the consequences of its own editing and publishing activities and its operations. The public's 10 complaints about the press cited in Professor Gan Xifen's article are all related to the fact that news organizations today lack relative independence. I cannot help but recall how Marx cried out in 1842, "The question is not whether press freedom should exist; press freedom has always existed. The question is whether press freedom is the privilege of individual people or the privilege of the human spirit. The question is whether the presence of privilege here means the absence of privilege on the other side." It would certainly be unscientific, as we consult Marx's relevant treatises, to simplistically compare socialist China under a people's democratic dictatorship to nineteenth-century monarchical Prussia. But clearly modern China, where the people are the master, is better equipped to achieve what Marx demanded of the Prussian monarchy over 100 years ago—freedom of the press as a universal right.

The relative independence of news organizations is also determined by its important position in social life. In his 1843 work "In Defense of the MOSELLE CORRESPONDENT," Marx wrote that both the ruler and the ruled need a third element. This element does not take the "bureaucratic" standpoint. Nor is it entangled in personal interests. It is a free press. Marx' thesis that a third party is needed as an intermediary between the ruler and the ruled actually confirms one point, namely that the government and the people look at things from different perspectives and have different points of departure because their situations are different. The nature of this kind of contradiction varies from one social system to the next, but the contradiction is always there. Thus there is a constant need for the mass media to serve as a link and coordinate as a third party. In socialist China,

the nature of the ruling party is such that the contradictions between the people, on the one hand, and party and state organs, on the other, are not fundamentally antithetical in most cases. Hence it is entirely necessary and possible to resolve contradictions through contacts, consultation, criticism, and self-criticism. And news media are one of the best tangible embodiments of this method of contradiction resolution. It needs to be pointed out that in a handful of cases, the people and party and state organs controlled by a few individuals afflicted with a bad case of bureaucratism, corrupt decadent elements, and criminals of all types, may be diametrically opposed to one another, their contradictions irreconcilable. In such cases, the news media, with their relative independence, will become a powerful indispensable weapon in the hands of the party as it leads the people in waging a determined struggle against those elements. This aspect will assume rising importance after political structural reform is intensified.

Let us now imagine and recall the consequences of the loss of independence by the news media. If the media do not have to be responsible for their own actions in front of the public, they will also lose initiative and creativity in their work of reflecting the people's lives, their wishes, and their demands truthfully, vividly, and comprehensively. As a result, newspapers would be full of nothing but boring "news" of no journalistic value and reports. Even more important, the people's right to know and to speak will be seriously damaged. When an article mirroring realities truthfully is at odds with the wishes of leading organs and individuals, the former will inevitably be suppressed. Under those circumstances, it is difficult for the media to avoid drifting into "hypocrisy"—turning a blind eye to facts, steering clear of the important and dwelling on the trivial, even making up stories outright to deceive the people. "At its worst, the upshot of all this is negativism. The government hears only its own voice. While it knows that what it hears is its own voice, it fools itself into believing that it is the voice of the people and demands that the people support this kind of self-deception. As for the people, they either alternate between political superstition and utter disbelief, or withdraw totally from national life, becoming a bunch of people engrossed in their own lives." "The loss by the people of their interest in national affairs and sense of nationality not only deprives an honest and open press of its creativity but also removes the only precondition for a press that earns the trust of the people." Marx' words are the best description of the state of the Chinese press and its relationship with the masses during the 10 years of turmoil. In recent years, the situation has improved considerably, but any fundamental turnaround still depends on further efforts. Meanwhile, the bad influences of the "hypocrisy" of the mass media persist among the public. The mass media have managed to say some truthful things during the past few years mainly because of a correct party policy and party because of the personal influence of individual leaders, but not because the media themselves have assumed independent

responsibility for their own actions. Consequently, we need to establish the mass media's relative independence legally and institutionally and improve the pertinent laws and regulations. Apart from stipulating that the media must not distort facts, divulge state secrets, and infringe upon others' legitimate rights, we must also provide for their relative independence in no uncertain terms to ensure press freedom. The party too should make appropriate changes to the way it manages party newspapers.

Gan Xifen wrote in his article, "The party committee might think that the more it reins in its newspaper and the more tightly it controls it, the fewer the mistakes the paper will make. This may be true under correct party leadership." These words bear some analysis. First, what is correct party leadership? Correct party leadership cannot be realized through the subjective thinking of a few leaders. It requires the party to fully understand popular opinions and the real situation. And an independent, responsible press is one of the best channels through which the leaders can examine the real world and get to know the will of the people. Second, even assuming correct party leadership, the party should not rein in the newspaper excessively or control it too tightly. The news media are a crucial conduit for the expression of popular opinion. To block this conduit under whatever circumstances will invariably impair socialist democracy. Third, whether or not party leadership is correct should not be determined by the word of an individual but must be subject to the test of practice. Only when they are independent and responsible can the news media report the results of such a test truthfully and fully. In the final analysis, the question of whether news organizations should be endowed with relative independence boils down to this: To whom should the media be held accountable? To the leading organs and individuals? Or the people as a whole? Who, in the end, should decide whether or not a newspaper, a radio station, or a TV station is properly run? Inattention to feedback from the people is a longstanding problem among Chinese media. Certainly one factor is a fragile sense of democracy, but even more important is the fact that under the present press system, it will be business as usual for the news organizations even if readers stop reading newspapers, listeners stop listening to the radio, and viewers stop watching TV. Probably because of news control and monopoly, people have no choice but to accept what they do not like. In reality, it is difficult for news media to make sure that they will not degenerate into a mere tool for carrying out the wishes of a handful of leaders and leading organs. Under these circumstances, the news media naturally pay very little attention to feedback from the masses and can afford to ignore urgent public demands. The only way to turn this situation around is to reform the management of news organizations by giving them a relatively independent position and provide legal and institutional guarantees.

Press reform is not only what socialist democratic construction needs. It is also what the development of productive forces demands. Press reform takes more

than a continuous effort by the CPC Central Committee to perfect the relevant policies and legislation. It also takes bold practical experimentation and exploration on the part of journalists. And good policies and laws do not grow on trees. In this respect, comrades in economic work have already set us a very good example.

**Promulgation of Press Law Urged**  
40050189 Shanghai SHIJIE JINGJI DAOBAO  
[WORLD ECONOMIC HERALD] in Chinese  
4 Apr 88 p 15

[Article by Shen Xupei [3088 2485 1014]: "Press Law As A Safeguard Of Press Freedom"]

[Text] With thousands of years of feudalism behind it, China has historically emphasized the rule of man, not the rule of law. This also applies to the press. While private tabloids dated from the Song Dynasty, there was no formal policy on press control at the time. Most prohibitions were based on what courtiers saw and heard and promulgated by the emperor for implementation. "From the Song through Yuan and Ming to the Qing Dynasties, there were still no standards and no regulations." After modern newspapers appeared with an irresistible force, the rulers, in their desire to preserve the monopoly of official newspapers, long refused to recognize the right of non-official newspapers to exist. Thus China's special press law was late in coming compared to that in most capitalist countries. In Britain, 20 years separated the appearance of the first modern newspaper and the promulgation of a press law. In Japan, it was 7 years. In contrast, 73 years had to pass after the appearance of the first newspaper, DONGXIYANG MEIYUE TONGJIZHUAN, put out by foreigners in Guangzhou in 1833, before the "Special Publications Law of the Great Qing Dynasty" was issued. If we count from the first Chinese newspaper, ZHAOWEN XINBAO, published by Ai Xiaomei of Hankou in 1873, it still took 43 years.

China's socialist press sprang from the party papers founded in the revolutionary years. At the time, the CPC was waging a struggle in defiance of the KMT's old legal order. Arrayed against it were anti-people laws, so there was no such thing as "running a paper legally" or "running a paper in accordance with the law." Party publications totally subordinated themselves to party leadership and carried on propaganda based on the party line and policy; they would not submit to anything else. Consequently, the concept of law could not possibly be part of the tradition of the party press. After the proletarian regime was established, we overlooked law-making for years. The importance of the rule of law was not fully understood. Even less appreciated was the rule of law in journalism. During the early 1950's, in particular, we studied PRAVDA and the TASS News Agency and parroted the Soviet experiences, which did absolutely nothing to foster the notion of making, enforcing, and obeying the law in the realm of journalism. The Soviet model of journalism pays no attention to the

application of the rule of law to the press. On the contrary, CPSU documents declare openly that editorials in the Soviet press are "political directions, laws." The practice of supplanting the law with newspapers has turned the latter into a tool with which the party runs the state and ultimately an instrument for the rule of man.

Of course, press freedom cannot be measured by the presence of the rule of law or the rule of man alone. Nevertheless, given the same time and the same society, there is more press freedom under the rule of law than under the rule of man. Under so-called rule of man, the people in power replace the law with their word; the law is what they say it is. If a newspaper incurs their slightest displeasure, it will be punished. In the absence of any laws to follow, the press can only take its cue from the rulers. Under the rule of law, there must first be a set of laws and regulations. The press usually can still operate freely within legally defined limits even if they are tightly drawn. When such freedom is violated, the paper can at least contest the infringement by invoking a certain legal provision. By and large, the feudal ruling class applies the rule of man to journalism while the bourgeoisie emphasizes the rule of law, although how it is actually applied varies greatly from one capitalist country to another.

The Soviet model of journalism has caused a good deal of harm to Chinese journalism and even the nation's political life. We can see that the rule of law is indispensable to a socialist press.

During the 10 years of turmoil, the press in the entire nation had to take orders from the "gang of four." Start a rumor, it said, and the press started a rumor; slander, it ordered, and the press did accordingly. Popular will could not be expressed and the press could not resist. Certainly the "gang of four" applied the rule of man in the name of the party leadership. Still, had we always practiced the rule of law in journalism and given newspapers legal protection when they told the truth, the press could not possibly have become the tool with which the "gang of four" rose to power to do as they pleased. Whoever dare to openly prohibit the newspapers from speaking the truth would immediately expose himself as a dictator for all the world to see. We would do well to always remember this historical lesson.

There is now a fervent hope among the public for the formulation of a special press law, a demand that grew out of the catastrophe which befell journalism and the journalists' great awakening. The aim is to ensure that the right to engage in the practice of journalism in accordance with a press law will no longer be trampled upon. Thus, such a press law is significant for preserving and furthering socialist press freedom.

Press legislation also would facilitate multi-level management in journalism. We may look at China's socialist press as a multi-level system. At the apex are the party's



official newspapers, forming the core of the entire newspaper industry. In addition, there are newspapers put out by people's organizations, democratic parties, institutions, enterprises, and mass organizations, as well as a variety of other newspapers. At their different levels, these many papers are all under the party's leadership. However, they should serve different functions: some are a mouthpiece of the party, some are not. Consequently, we cannot apply party newspaper policy "across the board" throughout the newspaper industry. Party and government leadership and management of the press should be diversified and multilevel. The state passes

legislation to set basic standards for the press. All non-party papers have to do is to follow such standards. Only party organs must abide by the party constitution, party resolutions, and party regulations in addition to observing the press law. This kind of multilevel management will certainly help diversify the entire newspaper industry stylistically even as it maintains an overall consistency and enable the socialist press to play its role yet more effectively.

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## NATIONAL AFFAIRS, POLICY

### **'Intrinsic Characteristics' of Urban Market** *HK1105060788 Beijing JINGJI GUANLI in English* *No 3, 1988 pp 26-30, 64*

[Article by Lu Wei (4151 5898), edited by An Luming (1344 6424 2494): "On the Intrinsic Characteristics of the Urban Residential Market"]

[Text] In order to further develop the commercialization of residences, a set of practical theories suited to the national conditions of our country is urgently needed. Of them, the theoretical study of the residential market appears to be especially important at the moment. Based on this consideration, this article intends to probe into the intrinsic characteristics appearing in the development of the residential market. Regarding the residential market, its restoration period in China has not been long but it has a rather long development history in the world. Hence, changes in the residential market in various countries are the objects that should be first analyzed in our summarizing of the intrinsic characteristics of the residential market. We shall then discuss from various angles the showing at the current stage of China's residential market of the various characteristics found on [the basis of the general survey.

#### **I. Nature of Similarity Trend in Expansion of Residential Market**

Under the stature of a commodity economy, residences form a category of social products. Procurement of a residence product is divided into the two forms of compensatory and non-compensatory. Being compensatory refers to a social constituent member, based on the principle of exchange at equal value (embodying also "nearly" exchange at equal value) and resorting to such forms as self-building, purchase, lease and rent and mortgage, obtains the ownership right and use right of a residence; being non-compensatory refers to a social constituent member without paying (embodying "nearly" not paying) any price but by means of administrative or legislative power and employing such forms as confiscating, taking over, distributing or allocating and transferring, obtains the ownership right and use right of a residence. The nature of the trend to similarity in the enlargement of the residential market has reference to the tendency of such practices as the compensatory procurement of a residence being continuously widened on a world-wide scope and the procurement by non-compensatory means of a residence being correspondingly reduced in the same scope. Naturally, in countries which differ from each other in the development level of the productive forces and in their political and economic systems the causes generating this tendency to similarity are not the same.

As for the great majority of socialist countries including China, the procurement of residence by non-compensatory means was at a time considered to be an important

manifestation of the strong points of the socialist system. After having gone through a period of actual practices, many countries have earlier than us come to understand the many defects of the non-compensatory use of residences, these being: (1) restraining the benign cycle of the residence trade becoming a pillar industry of the national economy; (2) being disadvantageous to the effective utilization of the urban real estate resources; (3) being difficult to satisfy the different demands on the standard of residences coming from residents with different income levels; and (4) leading to an imbalance in the family consumption structure of the residents. Hence, from the 1950's various countries have in varying degrees emphasized developing residence-building and residence-purchasing in a private or cooperative form; concurrently, they have gradually reduced state investment on building of residences.

With regard to develop countries based on the private ownership system, the trend of the enlargement of the residential market has been all the more obvious. It cannot be denied that the high-degree development of the social productive forces in these countries has enabled a portion of the residents in these countries to enjoy the benefits of education, medical and social insurance on a non-compensatory or free basis but the non-compensatory use of residences comes only from a certain moral or humane consideration. Certain countries during periods of great depression or post-war periods have built large numbers of low-standard residences to be provided at low rental to people with a low income, such as in the United States the "Hoover Village" (Footnote 1: During the 1929-1933 period of the great economic depression, the Hoover administration built low-standard residences for the urban poor people), West Germany's "Common People's Residences," and the "Publicly-Managed Residences" in Britain, France and Japan. However, following the economic recovery and a rise in the residence consumption level of the people, development of the residential trade has been steadily expanding.

The reasons for the sustained prosperity of the residential market are: (1) in quantity and in quality the demand for residences has no absolute limits and this causes the imbalance in residential consumption and its irrational inflation; (2) production and operations in residences yield a high interest rate but incur few risks; as the supporting pillar industry of the national economy it can attract a large number of producers and investors; (3) residences are high-quality durable consumer goods, can be used for dwelling purposes and can also be used for lay-in and lay-out purposes; (4) due to the high mobility rate of population and employment, residences have enjoyed a long and thriving period in rent and lease and in buying and selling; (5) continuous rise in living standard and the acceleration in urban construction have shortened the depreciation period of residences and speeded up their renovation. Naturally, due to the chronic diseases of the capitalist system itself, shortage in residences cannot be fundamentally solved even with the expansion of the residential market.

Grasping the characteristic of the similar nature of the expansion of residential markets can enable us to fully understand that expansion of residential markets is a world trend that cannot be reversed or resisted. The various countries have different national conditions and national power, but they are definitely unanimous in encouraging individuals to obtain residences through the compensatory form.

Regarding the manifestation at the present stage of China of the characteristic of the similar nature of the expansion of residential markets, I consider that it can be understood from the following three sides:

(1) Expansion of the residential market is the fundamental road for the reform of urban residential structure.

At the initial period of the founding of the PRC, the residences of urban residents were derived from the two sources of government building public housing for rent and the residents themselves building their own residences. The subsequent evolution of the measure of the state taking up all the residences actually had no precedent among the socialist states. Viewed from the basic national condition of China's prolonged insufficiency in financial power, expansion of the residential market not only is the inevitable trend which the various countries of the world must follow but is also the fundamental road for the deepening of the reform to salvage the residential trade from the low ebb of the malicious cycle. In the reform of the real estate industry of our country, the development and expansion in advance of the urban non-residential market and land market are the extremely clear testimonials.

(2) The results already obtained in the opening up of commodity residences have testified to the similar nature of the expansion of residential markets.

At present, many people have complained about the commercialization of residences being like a loud thunder accompanied by little rain. This is obviously not the point. Prior to 1987, due to the opening up of commodity houses not yet included in the state plan and the corresponding statistical system not yet established, changes in the residential market could not be promptly and accurately reflected but this did not mean that the opening up of residences had no recorded results. Regarding this, we may cite certain incomplete statistics in explanation: From 1982 to 1986, Tianjin altogether built and sold 1.33 million square meters of commodity residences. In the years 1984 and 1985, Chengdu altogether sold 513,000 square meters of commodity housing. Changzhou, as the first piloting city in the whole country for the sale of commodity residences has sold since 1982 some 2 million square meters of residences. (Footnote 1: Above figures quoted from the "Urban Development" and "China's Cities and Towns," 1986-1987). According to incomplete statistics, by 1986, the volume of commodity residences built in the whole country had amounted to one-fourth of the total volume

of residences built during the year. This speed of development does indicate that the prospects of the development of the residential market are extremely bright.

(3) Residential markets possess a hidden expansion trend.

At present, the supply and demand of urban residences is clearly a sellers' market. Regardless of how people have complained about the market prices of commodity housing, insufficient supply is still a reality. For example, the China House Development General Corporation in 1985 formed a development scale of only 4.3 million square meters. Due to the extremely large demand orders, in 1986 the building scale sharply rose to 10 million square meters. At present, in many cities and towns there is a hidden purchasing market in the sales of houses by overseas remittance, sales of houses by subsidy, sales of rebuilt houses in old city areas and sales of former public housing. This kind of consumption wishes and purchasing power are the internal driving force for maintaining the continuous development of our country's residential market.

## II. Characteristic of Residential Market's Development in Stages

So far as the residential market is concerned, due to the effects of the non-market practice of obtaining residences by non-compensatory means, in the management scope the residential market not only contains the similarity trend and nature of transition from the part to the whole but also exhibits, in the management form, transition from the lower form to the upper form, in the supply-demand relations transition from a sellers' market to a buyers' market, in the operation main body transition from a unitary main body to a plural main body and is subjected to the effects of various economic and non-economic relevant factors (concrete discussions of these factors will be made below). The above-mentioned various kinds of transitional phenomena are manifested as development characteristics of a periodic nature. According to the lift expectancy theory of products in market studies, the development in stages of residential markets also has its ups and downs and gains and reverses. This characteristic of development in stages has been universally manifested in the evolutions of the residential market in the various post-war countries.

World War II destroyed the cities and towns of the countries taking part in the war and made the various countries face the double mission of developing the economy and rebuilding the country and homes. Governments of the various countries clearly recognized that the residential market could only be restored in stages and be gradually perfected. After the war, Britain and France first carried out the policy of building public housing for rent and granting welfare subsidies. In the mid-1960's when housing shortage was somewhat relieved, house rents were gradually raised to encourage

the residents to build or purchase their own residences. After the beginning of the 1980's, the governments, relying on the social atmosphere of "doing things by one's self," further stimulated and promoted the residents themselves building and furnishing their residences. In the case of certain developing countries which had attained a late independence and whose economic foundation was weak, their post-war urban residential market was sliced separately into private residences, government residences, poor inhabitants' areas and houses built on illegally-occupied land (Footnote 1: Introduction to "Urbanized Residences and Their Development Procedure," by D. D. Smith (British). When certain countries or regions (such as Taiwan, Singapore, and Hong Kong) were established to a certain extent in economic power and development, in the 1960's they began to enforce by stages and in separate lots the plan of "dwellers owning their own houses." Following the efforts made in the several stages, the problem of housing shortage in these countries and regions has been initially solved.

Discussions on the characteristic of the periodic nature of development in residential market have a realistic significance. At present, regarding the direction of reform in the commercializing of residences in our country, ceaselessly there are people revising it with the propositions of "quasi-commercialization," "egalitarian housing distribution," and "charging adequate housing rental." In my opinion, these advocations are only typical summaries of certain phenomena appearing in the initial stage of the development of the residential market in our country and have not departed from the meaning of residential commercialization. One-sidedly putting them in opposition can only cause confusion in understanding. Contrarily, certain people have taken in an ossified manner the current measures of low-rental reform and subsidized sales of housing as a perfect picture of the realization of commercialized of housing in our country. This is also a manifestation of an unclear understanding of the characteristic of the periodic nature of the residential market. Seen from the angles of the circulation of funds and reproduction, sales of residences in one-lot payment and subsidized sales, in comparison with renting and leasing, naturally constitute a higher form in market management.

In order to fully understand the manifestation at the present stage of our country of the characteristic of the periodical development of the residential market, we should pay attention to grasping the following three points:

(1) The residential market in our country is currently in the initial development stage.

With our country's residential market having suffered from a man-made closure of over 30 years and only recently being opened up, it has hardly any foundation to speak of. Hence, some comrades have advocated dividing the development of the residential market in our

country into the three stages of revival—growth—prosperity and this suggestion is truly to the point. Generally speaking residential markets in the initial stage of development have these common features: (1) Residences' supply and demand are dominated by a buyers' market, there being a shortage in commodity housing; (2) market management takes mainly the form of rent and lease while sales and purchases are supplementary; (3) the rent-and-lease market is dominated by the renting of public housing and renting of private housing is supplementary; and (4) the sales market consists mainly of subsidized sales while sales by one-lot payment are supplementary. Seen from the existing market management feature of our country's commodity housing, it is found to have been generally confined to this development framework.

(2) The transition of the residential market to an even higher stage is not anticipated in the near future.

The experiences of certain countries have shown that an initial residential market generally requires the passing of 15 to 20 years before its transition to a higher stage is possible. Our urban population is an enormous one and there is a dire shortage in housing. It is not realistic to hope that simply through the short-term "labor pains" suffered in reform residential commercialization can be realised.

(3) The differences in the economic foundation of cities and towns can possibly lengthen and widen the time and space scope in the development of the residential market.

According to an analysis of the first national general survey of housing in cities and towns, it is found that in our country the urban dwelling level and the urban scale develop inverse relationship, that is, the larger the urban scale, the more serious is the housing shortage. For example, the national housing shortage rate is 29 percent of the total number of houses under survey whereas in the especially large cities and towns the housing shortage rate is as high as 34.1 percent. Seen from the analysis by localities, the urban dwelling level in the southern part of the country is higher than that in the northern part of the country, particularly in the cities and towns and the northeast. Due to the existence of such disparities between the cities and towns, there is no need to compete with each other. Seen from the existing trend in residential commercialization, especially large cities and towns and the developed central cities and towns may well make use of their own vast and strong capacity in residence building and their ability in merging funds and through a unified opening up procedure, organize and form a large-scale public housing rental market; certain medium-sized and small "satellite towns," mining cities, counties and townships may utilize the special features of a higher per capita income and a lower population density and building intensity to develop a residents' self-built and self-purchasing market and a market for the rental of private housing; in the case of returned

overseas inhabitants' villages along the south-eastern coast, cities and towns opened to the outside world, harbor cities and towns, economic and technological development regions and foreign affairs-related regions, they may follow the transaction principles in international residential markets and open up on a large scale markets for sales of houses in full price and payment in a single lot and for sales of houses in overseas remittances and in foreign exchange.

### III. The Relevant Character in Residential Market Operations

The residential market is an economic region extending to an extremely wide area. The market being the bond and link connecting the production and sales of residences, whatever factors coming from society or the economy will inevitably play a role on it and for the residential market's harmonious operation it must maintain with these factors a mutual reliance relationship both quantitatively and structurally. Moreover, this concrete relationship manifested in this mutual reliance has no fixed value. The name we give to this characteristic shown in the residential market's operations is the relevant characteristic. The relevant factors affecting residential market's operations may be divided into the two factors of economically relevant factors and non-economically relevant factors.

The economically relevant factors generally include the following: (1) GNP and national income; (2) soundness of the market structure; (3) actual income level of residents and families; (4) targets of government's macroeconomic policy and corresponding regulation and control tactics; and (5) conditions of urban land development and resources of building materials. Non-economically relevant factors generally include the following: (1) Degree of stability of the social and political situation; (2) population growth rate and degree of fluctuation; (3) legislative completeness; and (4) social traditions and the psychological acceptance ability of the constituent members of society. Under the changes in the time and space scope and the differences in the role played by the production forms, the various forms of relevant factors pose different effects on the residential market operations.

In the homes of capitalist countries where a private ownership economy occupies the leading place, all along the most outstanding economically relevant factors affecting residential market operations are land and capital. Land is the basic factor in residence building. The existence of private land ownership and speculation in real estate hampers residential exchanges from being rationally realized on the one hand and demands the maximum utilization of land to manage residences on the other. Shortage of residence building capital renders it difficult for residence to form a socialized production scale. Development of capitalism introduced the function of banks into the residential market. In the middle of the 19th century, in the United States the "Savings

and Loans Federation" was formed and in Britain the "Oxford Thrift and Savings Building Society" was formed (Footnote 1: "Briefs from Britannia Encyclopedia," Chinese translated text vol 2 p 297). Both broke the traditional natural economic concept in residence building and effectively promoted the development of the residential market. As for the effects from non-economically relevant factors, they come from individual sides. For example, the urban disturbances in the United States in the 1960's, the world-wide energy crisis in the 1970's and the rampage of the counter-city movement in the 1980's all to a definite degree interrupted the stable operations of the residential market.

So far as socialist countries and the majority of the developing countries are concerned, due to the low relative weight of private economy and such other causes as the state ownership of urban land and the undeveloped state of currency and finance, the economic relevant factors affecting the residential market consist mainly of a series of policies and the corresponding regulatory measures, such as, for example, the investment amount in residences arranged for in the state budget, population development policy, price policy, guidelines on urban development and the degree of utilization of the many kinds of economic levers such as taxation, interest rate, subsidies and so forth. The effects of the non-economic relevant factors are mainly manifested in the national nature of distribution in the residential market, the degree of perfection in residential legislation and the extent of the residents' psychological acceptance of commodity housing.

Holding the characteristics of a relevant nature in the operations of the residential market requires of us to unite the development of the residential market with the general working of the state's macro-economy. When the working of the residential market is not smooth or when its development is not at all rapid, we should refrain from seeking the causes from within the market.

The various kinds of relevant factors currently affecting our country's residential market may mainly be summarized in the contents of the following three sides:

(1) The market structure not being sufficiently healthy.

A socialist market should be an integrated large structure and the residential market is a sub-structure under it. Looking at the large structure, it may be found that due to China's commodity economy at the present stage being still an incomplete commodity economy, the construction of the entire market structure is still not completed and between the various sub-structure inside the large structure liaison is not coordinated and is not at all perfect. Take for example the building materials market which directly serves residence building, due to the supply of the "3 structural materials" being in a tense state, the building materials required for commodity housing and the building materials required for other projects under the state plan must come from the same

limited source and if the construction materials are procured through negotiated prices and high prices, then naturally the building cost of residences must be high. As for the currency market for residences and the maintenance market for residences, they also show varying degrees of imperfection and defects in coordination. Looking into the interior of the sub-structure of the residential market, it be found that due to the production, allocation and consumption of residences still not wholly meeting the demands of commercialized management, the contradictions that cannot be handled in the various stages can only be relegated to final solution in the exchange or transaction market, thus naturally adding to the burden in market exchanges.

(2) Reform of the non-market distribution of residences not yet completely started.

The existence of the non-market distribution of residences naturally affects promotion of the commercialization of residences. Reform of the residential system has already achieved definite results but reform of the low rental in the non-market allocation of residences has been like a tiny wave in a pool of dead water and larger steps have never been taken. At present, each year the state has to spend 20 billion yuan on subsidizing the low rentals of urban housing. This stroke alone has wiped out the successes gained in the development of residential market (in 1985 sales of commodity residences caused a return flow of some 720 million yuan to the coffers of the state). Hence, in order to make the residential market continuously develop and expand, it is necessary to create a good environment for operation and make people realize that "house purchasing is better than house renting" and that "paying a little rent is better than occupying much land."

(3) Constituent members of society lack sufficient receptiveness to the development of the residential market.

Working of the old structure for over 30 years has built up a massive inertia causing the residents to lack receptiveness to the development and use of commodity housing. At present, there are still rare cases of private individuals buying commodity residences. Transactions on the great majority of commodity residences are usually consummated between enterprises. Naturally, commercialized housing at the present stage in our country does not amount entirely to the private ownership of residences, but this stage of an overwhelming inclination to one side is not entirely caused by the lack of purchasing power for residential consumption on the part of families and individuals. The reason why residential market at the present stage of our country is not accepted by the urban residents in the same way as they have accepted the market for agricultural and sideline products is mainly because that its reform has not been implemented systematically and in a thoroughgoing manner. Such factors as indecisive theoretical discussions, delay in reforming the state of low rental, continuance of the irrational administrative distribution and

the sharp rises in the prices of commodity residences all can easily make people entertain an abnormal attitude of confusion, doubt, suspicion and hesitation regarding residential reform, thus causing reform to face a dilemma. Those benefitted by the existing residential system are undoubtedly not the most arch proponents of the reform, while those not benefitting by the existing residential system can hardly all at once possess such matured commodity value concepts of buying houses by installment payments or house buying by means of the savings scheme. Obviously, reform takes time and under the present conditions of the prospects of the reform not being sufficiently clear, people's understanding cannot exceed reality.

#### IV. Pluralistic Nature of the Management of Residential Market

So far as reform of the residential market in our country is concerned, the management and control of residential markets constitute a new topic. Historical experiences have shown: to reach a relatively high level in management, it is necessary to pay attention to the characteristic of the pluralistic nature of the management of residential market. This is because: (1) The management main body of residential market is pluralistic. Seen from the historical evolutions, in the former capitalist period, urban residences were obtained through self-building, supplemented by a small number of private residences available for rent. After the industrial revolution, to ensure reproduction by the large volume of industrial labor force flowing into the cities, plant heads could not but build larger numbers of commodity residences in the cities and towns. The economic depression in the 1930's made various quarters pay higher regard to the problem of urban housing. Britain's celebrated "Paulo Report" in 1931 and the 1939 "Residence Law" of the United States both demanded the governments to intercede in the management of urban residences and World War II actually provided a vast experimental theatre for developing the management main body of various categories of residences. (2) The management business and management form of residential market are pluralistic. Under the stature of a matured commodity economy, residence management includes not only the traditional businesses of the leasing and selling of residences but also such financial businesses as mortgaging and granting of loans, also such credit businesses as sales agents, rental agents and custody agents as well as such advisory businesses as rental assessment, price assessment and so forth. Seen from the management form, there is the simple form of barter trade, the ordinary transaction form using money as the medium and such special transaction forms as payment by installment, mortgage loans, periodic deductions from savings accounts and so on.

Operations of the residential market suffer from restrictions by various kinds of relevant factors (we already discussed this in the foregoing). The special features mentioned above have determined that a residential

market cannot become a market of free competition, nor a market under the monopoly of the state or any economic group; it requires a pluralistic organizational management structure which is suited to it.

Grasping the characteristics of the pluralistic nature of management of residential markets has an extremely realistic significance. Many people lack an understanding of the complex nature of management of the current residential market. One concept holds that "our country's residential market at the present stage mainly needs opening up and development; it is still too early to talk about management." Another concept believes that with the "residential market having been opened up for only a short while, market management has no depth or breadth to speak of." These concepts are not realistic. Our views are that despite the restoration of the residential market in our country not having been long, but just as shown in the discussions in this article on the series of intrinsic characteristics of the residential market, in the residential market in our country a pluralistic management main body jointly maintained and jointly instituted by the state, the enterprises and individuals has been definitely formed; the market's management business and forms have been continuously expanding and the effects of the various kinds of economic and non-economic factors can be seen everywhere. Hence, the pluralistic management of the residential market definitely is not unnecessary and the management is not without depth or breadth to speak of.

Manifestation in the present stage of our country of the pluralistic characteristics of management in residential market should be principally understood from the following two sides:

(1) The state is the main body carrying out the pluralistic management of residential market.

In our country, the housing industry being a brand new industrial department in the national economy, its development must be placed under the state's control. However, the plans passed on to lower levels may not necessarily be of a mandatory nature and the planning management should not be unitary. Our country's residential market has passed through an entirely liberal initial stage. Beginning from 1987, construction of commodity housing was incorporated into the state plan. This change in the state residential policy has not been the continuance of what had been said about the old structure of "invigoration following opening up, confusion following invigoration and retraction immediately following confusion." Out of consideration for the various intrinsic characteristics of the residential market, our country's "commodity housing planning is for the purpose of carrying out management under guidance planning." With due consideration of the confused state in certain developed enterprises in handling cost of production, profits and prices, the state has ordered planning commissions in various localities to work with relevant departments to quickly formulate for their

respective regions a management procedure over prices of commodity residences and at the same time to stipulate the prices of commodity houses "generally not higher than the prices of the same standard of houses built under a unified plan or of self-built houses (Footnote 1: "Certain Regulations on Strengthening the Planned Control and Management of Building of Commodity Housing," by the State Planning Commission, Ministry of Building and State Statistical Bureau, January 1987). Also, in view of the confusion in the management of funds for commodity housing and the insufficiency of funds, the Construction Bank set aside in 1987 1 billion yuan of loans in support of commodity housing development. The state's various considerations demonstrate that in the pluralistic management of residential market, the state is necessarily the main body of management.

(2) Legislative control is currently a weak link in the pluralistic management of residential market.

Pluralistic management is not diversified or scattered management but must be based on statutes and on laws. In the past in our country the concept of a residential market was confined to the scope of the rent and lease and buying or selling or private housing. The series of legal statutes thus formed were also limited to serving the management of the property ownership right of private houses (such as transactions, rent and lease, inheritance, break up of family properties, gifts and so forth regarding privately-owned houses). After the full-scale opening up of the residential market, certain new problems and new phenomena have surged forth regarding which the old statutes and articles could not solve adequately. At present, real estate management departments in various localities have of their own compiled their own management regulations but because they lack legislative binding force, frequently opportunities have been given to the law-breakers. According to the experiences in the management of residential markets in various countries, management of residential markets should be subjected to a set of independent "parent laws," under the general supervision of which "branch statutes" are formed which are suited to management in the various stages and various sectors. In short, a perfect management legislation will effectively ensure the rational development of residential markets.

**JINGJI GUANLI on Leasing System**  
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[Article by Liu Qichang (0491 0366 2490) and Lin Daojun (2651 6670 0689), edited by Shen Zhiyu (3088 1807 3342): "An Investigation of and Thoughts on the Leasing System"]

[Text] Following the development of our country's economic structural reform, and after a period of trials, the leasing system, which is a new operational form for socialist enterprises, has seen swift development over the

last 2 years. Today, in the whole-people owned and collectively-owned manufacturing, commercial, food and drink and service industries, there are already tens of thousands of small-scale enterprises which have implemented leased operations. In order to gain a quite thorough-going understanding of this operational form and to further explore the road for changing the operational mechanism of enterprises, we carried out an investigation first in Jilin Province and then in Liaoning Province. This article will detail some of our ideas on various issues related to leased operations.

## I

After the "Decision on Economic Structural Reform" which was made at the 3d Plenary Session of the 12th CPC Central Committee, and which clearly pointed out that strengthening enterprises' vigor is the central link in urban economic structural reform, we concentrated on the issue of how to get our whole-people ownership enterprises to become true socialist commodity producers and operators, which make their own operational decisions, are solely responsible for their own profits and losses and which have the capacity for self-accumulation, self-transformation and self-development. In this respect we carried out exploration from many angles. Practice has proven that the reform which solely involves the state organs simplifying administration and handing down power and the financial departments reducing taxes and allowing retention of profits is far from sufficient to enliven enterprises. If we want to really increase enterprises' vigor, we must change the operational mechanism of enterprises, and on the precondition of maintaining public ownership of the means of production, reform enterprises' operational modes and separate ownership from the power of operation. Some enterprises have trial-implemented the leasing system and in this respect have achieved success in the experiments.

We believe that in what is referred to as changing the operational mechanism of enterprises, the key lies in ensuring that enterprise operators engender self-encouragement and self-control functions. That means that, in accordance with the principle of socialist material interests, having the enterprises in their production operations consciously do things in accordance with the demands of the law of value. When small-scale whole-people ownership industrial enterprises implement leased operations, the operational situation of the enterprise is directly linked up with the operators' immediate interests. Thus, if the operations are successful, the lessee may get a quite high income, while if the operations are poor, the lessee will have to make good the losses out of his personal property and this may even lead to the loss of all the family assets. Thus, as far as the operators are concerned, this operational form is both a motivation and a restraining force. The strength of this motivation and restraining force is usually difficult to achieve through other operational forms. What is most important is that the leasing system realizes quite well the separation of ownership and the power of operation,

which creates fine external conditions for changing the operational mechanism of enterprises. When enterprises implement leased operations the rights and obligations of the lessor and the lessee must first be clearly set down in a leasing contract. After the contract comes into effect, as long as the lessee carries out lawful operations, and pays taxes and leasing fees as stipulated, the lessor will generally not be permitted to engage in arbitrary interference in production operation activities. The lessee as the natural manager of the leased enterprise will have great operational autonomy. Thus the situation in enterprises under the traditional system whereby the factory manager has responsibilities but no power will be changed, and responsibilities and power will be combined. This will greatly strengthen the sense of responsibility and the spirit of motivation. At the same time, the leased enterprises can break through the wage systems of traditional enterprises and make new explorations into achieving the linking up of labor achievements and rewards for labor. In this way, the enthusiasm of the vast number of staff and workers will be better motivated.

## II

Although the leasing system has positive significance in terms of changing the operational mechanism of enterprises, and in improving enterprises' economic results, as it is a new thing, there are many aspects of it which require improvement. Thus, we need to do further research on various problems involved in leased operations, so as to facilitate the appropriate resolution of the problems.

### 1. On the choice of lessee.

The quality of the lessee will determine the growth or decline of the leased enterprise. Thus, when implementing leased operations, the proper choice of the lessee is of paramount importance. In the vast majority of leased enterprises at present, the lessee was chosen through the form of public tender. This method draws the mechanism of competition into the leased operation, is beneficial to discovering and using outstanding entrepreneurs and should be affirmed. However, it should also be recognized that due to the influence of unhealthy tendencies, or because of lack of experience, in some areas there exists the phenomena of incorrect selection of people and inappropriate use of people. For example, some departments only allow tenders from within the enterprise, and have the original manager or original powers become the lessee. Some lease enterprises to "connections" or operators with power but without ability. Some take the amount of rent as the only standard for selecting the lessee. Some units even decide on tenderer's strong and weak points on the basis of his tender statement or his own words and do not carry out a thorough investigation. This results in the selected lessee being unsuitable.



We believe that when implementing leased operations, it should first be necessary for the enterprise's responsible department, the financial department and other relevant departments, staff recruitment experts, and representatives of the staff and workers of the enterprise which is to be leased, to first form an assessment committee and call tenders from the public. The assessment committee will be responsible for examining the qualifications of the tenderers and it should arrange for the tenderers to go to one enterprise to be leased to investigate, to compile a draft tender statement and to formulate plans for running the factory. Afterwards the tenderer will be questioned, and examined, and at the same time the committee will be responsible for verifying the assets which will be used as security.

## 2. On the income of the lessee.

At present, people have different opinions on the nature and the appropriate level of income of lessees.

While, of course, an analysis of the nature of lessees' income and the appropriate level of the income is an important element, it is also necessary to carry out a specific analysis of the constituents of the income.

The lessee is engaged in operational management labor within the enterprise. This labor is also production labor, and is complex production labor. As complex labor is a multiple of simple labor, it should be said that it is quite normal that a lessee's labor income should be higher than the income of general workers, and that this accords with the socialist principle of distribution according to labor. As the lessee pays attention to the market trends, and is good at grasping information, and pays attention to the mode of operation, when he improves the enterprise's operational results by a large margin, that income which he receives in accordance with the stipulations of the contract and which is higher than that received by the general workers should be considered a reward. Likewise this does not violate the principle of distribution according to work. Further, in the personal income of the lessee, there is some increased risk income because the lessee takes on risks. Strictly speaking, this is non-labor income. This part of the income should of course be subject to quantitative controls, so that an appropriate ratio is maintained between it and the operational risk taken on by the lessee. When handling this part of the income, we need to consider our country's actual conditions and also consider the degree of difference which can be accepted by the general workers. It should also be considered that this part of the income is beneficial in stimulating the enthusiasm of the lessee to be brave in taking on risks.

We believe that when handling the question of the income of lessees, the enterprises' upper-level responsible departments must take a clear-cut stand. On the one hand, they must persist in widening the income differential between lessees and ordinary workers, and on the other hand must pay attention to carrying out rational

regulation. In concrete work, it is necessary to fully manifest the principle of concurrently considering the interests of the state, the enterprises, the workers and the lessee. According to an investigation of 63 industrial enterprises in Shenyang City which had instituted leased operations, the 1986 distribution situation was as follows: The actual taxes and profits for the year totalled 23.32 million yuan. Of this, the state income constituted 68 percent, the enterprises' income constituted 17.3 percent, the staff and workers' income constituted 11.8 percent and the income of lessees constituted 2.9 percent. This quite rationally manifested the interests of the four sides. According to statistics for Changchun City, the estimated 1987 annual income of the lessee of the Changchun City Vehicle Tool Factory (an individually-leased enterprise) was 7,000 yuan, while the average annual income for staff and workers was 1,075 yuan. Further, the estimated 1987 annual income of the lessees of the Changchun City Number Three Optical Instruments Factory (a collectively-leased enterprise) was 2,500 yuan, while the average annual income of workers was 1,200 yuan. Neither of these differentials are too great. As to the situations where the incomes of some lessees are 10 times or even tens of times higher than those of the general workers, we need to carry out specific analysis. First, we need to recognize that the high income of the lessees is "extraordinary" income. However, the major source of this "extraordinary" income is in the "extraordinary" contribution and "extraordinary" expenditure of the lessee. Many lessees, in order to turn around a depressed situation in a leased enterprise, often eat in the factory, sleep in the factory and devote all of their physical and mental efforts and intellectual abilities to the factory. Their expenditure in terms of levies and entertaining are also necessarily much higher than those of the ordinary workers. Thus, the majority of the workers in factories are understanding in regard to this "extraordinary" income.

Of course, sometimes, because the original appraisal of an enterprise's assets was incorrect or because of some loopholes in the leasing contract, a lessee may obtain high income very easily. Great efforts should be made to change such situations. We believe that there are at least two avenues of choice. The first is that in respect to the income of the lessee, we could implement a regressive, reverse regulation method. That is, the amount of profits in excess of the base figure should be divided into different levels, and the higher the level obtained, the smaller the proportion which the lessee obtains in personal income. Also, the state would then levy a personal income regulatory tax on the lessee. The second method is that every year the lessee should store some of the income which he is due to obtain in the enterprise as a lessee's cash surety, so as to be able to "use the rich years to tide over the poor ones." In this way, it will be possible to effectively control consumption fund inflation and avoid having the disparity between the incomes of the lessee and the workers becoming too large. This will also greatly increase the lessee's ability to bear operational risks.

### 3. On the rent.

Rationally fixing the rent is another important link in guaranteeing the healthy development of leased operations. The general principle for appraising and deciding rent is that it should be ensured that income from the operation of state-owned assets go to the state.

In enterprises which implement leased operation, rent is generally divided into two types: fixed rent and floating rent. Often, when enterprises which are incurring losses or which are making only small profits are leased, generally the fixed rent form is adopted. That is, the lessor and the lessee agree that during the period over which the enterprise is leased, the lessee will pay to the lessor an annual rent of a fixed amount. The other type is floating rent. This means that initial base figures for the enterprise's profits and rent are set down, and subsequently rent is linked to profits. During the period of lease, if the profits of the enterprise increase, the rent increases proportionally. However, if profits go down, the basic rent does not change and the lessee has to use his personal property or the surety funds to make up the difference.

At present, the principles on which rents are decided in various areas are numerous and diverse. We believe that in order to gradually standardize the leased operation modes, we should on the basis of experiments in various areas, first grasp well the work of standardizing the fixing of rent. In carrying out this work, we should pay attention to resolving the following problems:

First, is the problem of the concurrent existence of rent and taxes. The lessor of the whole-people ownership enterprises is the state and the rent paid by the lessee in accordance with the contract should be handed over to the state. However, in a situation whereby the present rate of income tax paid by enterprises remains unchanged, having rent and tax payment existing together will clearly increase the burden on enterprises, squeeze enterprises' income and affect the interests of the lessees. Thus, the income tax rates urgently need to be reduced, so that in enterprises where there are leased operations, on the basis of improving economic results, the income of the state, the enterprise, the staff and workers and the lessee can all grow.

The second is the problem of the linkage of rent and profits. An important characteristic of leased operation is the compensated transfer of enterprise operational power. Thus, strictly, the fixing of rent has nothing to do with the operational situation of the enterprise subsequent to leasing. That is to say, the amount of rent should not fluctuate with rises and falls in the realized profits of an enterprise. In the above-mentioned floating rent method, it is possible to set a fixed minimum figure and stipulate that the lessee must hand over a basic rent figure. This will increase the pressure on the lessee and guarantee the state's income. However, this method of

having the boat rise with the water, restricts the enthusiasm of the lessee for improving the operational management and increasing the enterprise's profits, and is not beneficial to increasing enterprises' accumulation. We believe that, under the precondition of reducing the income tax rates for leased enterprises, the rent should be fixed in accordance with the rate of fixed asset net value post-tax profit retention in the same industry or department and remain unchanged for several years. On this basis, graded standards for post-tax rents and retained profits can be stipulated and the method of regressive retention by lessees can be instituted.

Finally there is the problem of confusion between rent and credit. At present, some regions use the funds profit rate to set rent. That is, the rent is calculated in accordance with the funds profit rate of the lessor's enterprise in the previous year and the total amount of funds (including both fixed funds and a set amount of floating funds) to be used in the current year by the leased enterprise. This method involves a confusion between rent and credit. This is because the system of provision of floating funds completely through credit has already been established, and the floating funds required by an enterprise should all be supplied through bank credit. When setting down the rent, there should be no duplicated calculation and there is no need to change the original intention of the system of compensated use of funds when implementing leased operations.

### 4. On activities of a short-term nature in leased enterprises.

What is referred to here as activities of a short-term nature generally involves the operators of the leased enterprise engaging in overload "pillaging-type" use of the fixed assets of the enterprise. That is, they do not pay attention to protection of the assets and do not concern themselves with renewal or transformation; in the area of distribution of enterprise income, they "distribute everything" and do not place stress on enterprise accumulation; and in production operations, in order to seek personal benefits, they do not hesitate to harm the reputation of the enterprise or consumers' interests. After the implementation of leased operations, because of the role of the motivational mechanism produced by the self-encouragement function, and the influence of the limited time allowed by the contracts, in some enterprises the problem of activities being of a short-term orientation does indeed appear. Some comrades believe that enterprises engaging in short-term activities is an inevitable result of leased operation. We do not completely agree with this idea. This is because in actual economic life, the problem of short-term activities not only exists in leased enterprises, but also exists similarly in quite a number of enterprises of other operational forms.

We believe that in a period of transformation of the economic structural model, there are many reasons for enterprises to engage in short-term activities. A major

cause is the "degree" of appropriate separation of enterprises' ownership and power of operation, and the "degree" to which enterprises are to be relatively independent economic entities. It is difficult in a short time to be able to gain certain and precise ideas about these. Thus contradictions are produced in the inappropriate handling of the relationships between state interests and enterprise interests and between long-term interests and short-term interests. The practice of some enterprises which have instituted leased operations tell us that in enterprises where there are leased operations, it is easy for the lure of activities of a short-term nature by the lessee to appear, and there are also beneficial factors for restricting activities of a short-term nature. Only when our policies and measures are correct will it be possible to resolve this problem. Specifically, we can start with the following few angles and gradually move towards resolving this problem:

1. Being realistic in selecting lessees. It is necessary to seriously examine the quality of lessees, including their political and professional qualities. If the quality of lessees is quite high, and they have quite strong decision-making abilities, it will be possible to guarantee the regularization of enterprise activities. Thus, when calling tenders and assessing lessees, it is necessary to pay special attention to the lessees' plans and specific programs for the enterprise's long-term development targets.

2. Appropriately lengthening the leasing period, so that the lessees can make quite long-term plans and consciously reject activities of a short-term nature. Shenyang city has already stipulated that the leasing period for industrial enterprises can be extended from the original trial period of from 1-3 years to 3-6 years.

3. Adding specific targets to the leasing contract in terms of maintaining the equipment, growth of assets, development of skilled personnel, product development, technical transformation and so on, and clearly stipulating the rewards to be given to the lessee for completing the targets.

4. In the leasing contract, it should be clearly stipulated that the assets added through investment by the lessee will belong to the lessee. After the lease period expires, these can be converted into individual shares, be drawn as extra dividends or be received in equivalent cash through installments. Further, those enterprises which have instituted leased operations should be permitted to use the newly-added profits from technical transformation projects to repay credit prior to taxation. For those technical transformation projects which do not have obvious benefits, the enterprises should be permitted to use the amounts retained in excess of basic profits to repay the credit.

5. In the enterprises which have implemented leased operations, democratic management by the staff and workers should be truly strengthened, and the vast

numbers of staff and workers should be relied on to carry out supervision of the short-term activities of the lessee. Thereby within the enterprises there will be formed a regulation mechanism involving long-term workers supervising short-term leases.

Some localities propose a system whereby the enterprise is audited at the end of the lease. That is, when the lease period expires, the enterprise's upper-level management organ together with representatives of relevant departments and the staff and workers of the enterprise will carry out an evaluation of the tangible and intangible assets and an overall audit of the situation in terms of the lessee's implementation of the contract. Only when the audit shows the situation to be satisfactory will the lessee's lease surety and guarantee funds be returned to him. We believe that this can be seen as an effective measure for guarding against activities of a short-term nature by the lessee.

### III

At present, leased operations have mainly been implemented in small-scale industrial and commercial enterprises and service undertakings, and many of these have been collectively-owned units. However, the benefit of this in enlivening the enterprises, and its effectiveness in transforming enterprises' operational mechanism has really had a convincing effect on people. Why is this? In future how are we to bring into play this positive role which it has? We wish to discuss a few of our own ideas here.

1. On the basic reasons for the backwardness of enterprise management in our country.

At present, the general situation in our country's industrial enterprises is that of poor product quality, a low technological level and economic results which are certainly not ideal. Of the factors which have produced this situation, one is backward technology and another is even more backward management. If we are to achieve modernization, we need to put in great efforts and get these two cart-wheels to roll forward as swiftly as possible.

Here, a question worthy of our consideration is: Why is our management (speaking strictly of industrial enterprise management) so backward? Is our management theory and management ideology backward? Do our enterprise leaders lack abilities? We believe that all these factors contribute to the backwardness of management, but are not the basic cause. Is it simply that the highly-centralized management system has restricted the vigor and vitality of enterprises? Facts over the last few years have proven that the backwardness of our enterprise management is related to the former system. However, it is perhaps too sweeping to analyze things in this way. If that were the only reason, why is it that while in the 9 years of reform there has been some (naturally not complete) autonomy in production operations, the

finances subject to enterprises' own control have increased and in the market the scope of enterprises' operations has been expanded, and yet the enterprises feel that the external conditions are insufficient and it is not possible to enliven them?

We feel that if there is deeper analysis, one must recognize that the basic cause of the enterprise management backwardness in our country is that, under the role of the previous excessively centralized management system, our country did not possess enterprises in the real sense. Thus, in our present enterprises, it is not possible for there to exist enterprise operational mechanisms which accord with commodity production and the needs of operational development. The state-owned, state-operated enterprise operational mode which formerly occupied the ruling position could only produce static "abacus bead"-type enterprises, with an enterprise mechanism by which they relied on the "supply system" and ate from "the big pot." In this situation where there was no external pressure and no internal motivation, and the enterprises did not need to put efforts into improving operational management. Now, the practice of some small-scale enterprises which have implemented leased-operation has proved that in many enterprises the leading group consists of the original leaders, there has been no change in the material and technological base of the enterprise, and even the basic management work of the enterprise is far below that of medium-size and large whole-people ownership enterprises. However, because there has been a change in the operational mode, that is from being state-owned and state-operated, they have changed to being state-owned and individually-operated or being state-owned and collectively-operated, within the enterprises there has begun to form a new enterprise operational mechanism which is able to induce self-encouragement and realize self-control and which has the combination of responsibilities, rights and interests as its characteristics. Thereby, the appearance of the enterprises has been quickly changed and the work of raising the management level has obtained motivating vigor.

Thus, we believe that simply analyzing this and seeking the deepening of enterprise reform simply from the angle of having the state continue to reduce taxes and allow retention of profits is insufficiently inclusive. It should be said that reforming the enterprise operational mode and changing the enterprise operational mechanism is the inevitable road for improving the management level of our country's enterprises and having them become true enterprises as quickly as possible.

2. As far as changing the operational mechanism of enterprises is concerned, leased operation has great vigor.

How, in the end, the content of the change in enterprises' operational mechanism should be expressed is at present a point of contention and no final decision has been reached. We believe that regardless of how it is

expressed, the core must be that, on the basis of enterprises taking their own operational decisions, the enterprises, and more particularly their operators, must form self-encouragement and self-control capacities. The implementation of leased operations is beneficial to having the enterprises produce these new mechanisms.

First, as has been pointed out above, this is beneficial to realizing the separation of enterprise ownership and the power of operation, so that enterprises can free themselves from unnecessary administrative interference. After enterprises implement leased operations, the relationship between the enterprise's upper-level management department and the enterprise will change from the former administrative jurisdiction relationship to an economic contract relationship between a lessor and a lessee, and in the leasing contract both sides will have equal positions. This means that the enterprise's upper-level management organ will only be able to carry out guidance, management and supervision within the limits stipulated in the contract. It will not be able to interfere in the normal operating activities of the lessee. Thus, in order to bring into play the superiorities of leased operation, it should be clearly stipulated that after the lessee and the lessor sign the leasing contract and it undergoes notarization, the two sides should act strictly in accordance with the contract, and the contract will not be able to be arbitrarily changed. In respect to an enterprise's economic losses which result from changes to a contract made by a managing department, the lessee has the right to protect his own and the enterprise's interests in accordance with the law.

Second, it can ensure that operators directly feel the pressure of operating risks, and thereby will have the enterprises gradually become responsible for their own profits and losses. After enterprises implement leased operation, as the leasing contract clearly stipulates that the lessee must pay the rent at certain times and in certain amounts, must provide personal property as surety, and also sometimes must have a guarantor's property as a guarantee, it means that the operational risks which were formerly shouldered by the state are gradually being shouldered by the lessees. Although at present there are limits to the amount of surety property and guarantee funds to be provided by lessees and guarantors, the amounts are sufficient to have the lessee truly feel the pressure of risk. On this question, we believe that that it is necessary to point out that it is not realistic and not necessary to set the surety requirements for lessees too high. This is because the size of the risk and responsibility being assumed is constituted not by the ratio between the individual's surety property and the assets of the leased enterprise's assets, but by the ratio between the individual's surety property and the individual's total property. Although the proportion of the individual's surety property in respect to the former is very small, it is very large in terms of the latter and may constitute the entirety of an individual's property. Thus, the lessee will be subject to great risk. Some comrades believe that as the lessee's property surety

together with the guarantor's guarantee funds are an extremely small proportion of the value of the assets of an enterprise, it is difficult to say that this operational mode is beneficial to the enterprise taking on responsibility for profits and for losses. We believe that this idea is not correct. At present, in developed countries, the majority of shareholding companies are limited shareholding companies. That is, their liability is limited to the amount of capital they have registered with the government. Why then, in this respect, do we need to place such demands on lessees?

3. In reforming the enterprise operational mode and changing the enterprise operational mechanism, it is necessary to pay attention to fully manifesting the principle of all-embracing material benefits.

Looking vertically, in the last few years, some enterprises have trial-implemented operational responsibility systems, contract operation responsibility systems, and especially leased operation modes. In terms of changing the operational mechanism of enterprises these showed different degrees of superiority. The most basic reason for this was that in the area of realizing the combination of the responsibilities, rights and interests of enterprise operators, they all showed improvement over the traditional operating mode. That is, to a certain degree, they all manifested the socialist principle of all-embracing material benefits.

We believe that in the initial stage of socialism, because of restrictions on the level of development of the social productive forces, on the degree of people's understanding and on the management level, when handling the economic relationships between persons in the areas of production, circulation, distribution and consumption in socialist society, it is necessary to further manifest the principle of all-embracing material benefits. That is to say, we must encourage the whole body of workers to proceed from the angle of concerning themselves with their personal material benefits and to put all their abilities into doing well in production labor at their own posts. Then, on the basis of increased collective benefits of labor and in accordance with the principle of distribution according to work, they will receive a rational labor income. They must also, proceeding from the angle of concerning themselves with personal material benefits, all contribute funds and use the accumulation formed through economizing on personal consumption to invest in expanded social reproduction. Then, on the basis of increasing collective and social benefits, and in accordance with the principle of compensated use of funds or the principle of common enjoyment of benefits and sharing the burden of risks, they will obtain appropriate non-labor income. In this way, a situation will be gradually formed in which all the workers of society, all the levels of society, and all types of economic organizations in society will both concern themselves with the development of production in their specific enterprises and throughout society, and will concern themselves with the improvement of the operational management of

their specific enterprises and of the entire society. We believe that the operational mechanism of enterprises and the economic movement mechanism of the whole society are inseparable. If the latter is not on the correct track, there will be no basis for the improvement of the former, and there will be no way to carry out consolidation. Further the improvement of both depends on the formation of the above-mentioned mechanism of all-embracing material benefits.

Based on these ideas, we propose that in the process of reforming the enterprise operational mode, we should continually analyze and sum up the reasons different operational modes can bring superiorities into play. Then we can draw on them and use them for reference so as to facilitate the gradual formation of the best mode of enterprise operational mechanism which has wide suitability, has its own characteristics and which is of assistance in promoting commodity production and operational development. Our preliminary ideas suggest that the best operational mode is: With the public ownership system as the primary element, having enterprises which are jointly owned by shareholders and operated by entrepreneurs, and which are based on a socialist shareholding economy participated in by enterprise groups and individual staff members and workers.

#### **Public Opinion on Rising Prices**

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[Article by Yang Guansan [2799 0385 0005], Wang Xiaoqiang [3769 1420 1730], and Yu Dehai [0060 1795 3189], of the China Economic Reform Research Institute: "An Analysis of Public Opinion on Current Prices"]

[Text] Public opinion polls in 1987 clearly showed a resurging concern about the price problem among city dwellers. A survey conducted in May 1987 showed that no less than 59.3 percent of the people surveyed thought that the price situation had worsened since the end of 1986. Another survey in October 1987 showed that the number of people unhappy about the price situation had increased by another 3.3 percent since May and that the number of those who thought that the situation was getting worse had increased by 7.8 percent.

People of different occupations also differ sharply in the degree of their dissatisfaction with the price situation. The salaried class (including people in charge of units, administrative cadres, enterprise cadres, middle and primary school teachers, and professional people in various fields) is the most dissatisfied. The individual entrepreneurs are the least dissatisfied. And in the middle is the working class. Between May and October 1987, the number of the dissatisfied in the salaried and the working classes increased by 4.7 percent and 3.5 percent respectively, while the dissatisfied among individual entrepreneurs dropped by 8.3 percent. People of the

salaried class are more dissatisfied with the price situation than other occupational groups mainly because the major source of their income is their fixed salaries, which are not related to performance. Compared with people in other occupational groups, they have even fewer chances of improving their financial situation on their own. In the face of rising prices, they have no other choice but to ask the state for pay raises and government control of prices.

In the three big cities of Beijing, Tianjin, and Shanghai, a large proportion of the people live on fixed salaries, and they are more vocal in complaining about prices. The three municipalities spend more on price subsidies and have more reliable commodity supplies than any other Chinese city, and there are actually fewer dissatisfied people than in other cities. Yet public opinion against rising prices is stronger in the three cities than elsewhere. This is mainly because the salaried professional groups, consisting largely of cadres and intellectuals, are traditionally more strongly opposed to rising prices than other groups. And these people are better educated (able to write articles and voice their dissatisfaction through the mass media), enjoy higher social status (thus more likely to be heard and believed), and have wide social connections and more opportunities to express their opinions. Moreover, the seriousness of the price problem in the three cities has been exaggerated by the heavy press coverage. Reports are quickly transmitted to other cities and become an important factor in the spreading concern over the price situation among urban residents all over the country.

#### **Differences Between the Price Problems of 1987 and 1985 as Perceived by the Public**

From our continuing observation of society's psychological reaction to the price reform in the past few years, we have noticed three obvious differences between the price problems of 1985 and 1987. 1. In 1985, public attention was drawn to prices, but the people were psychologically unprepared. They lacked understanding of the protracted and arduous nature of the price reform, and they did not see that a price must be paid for the reform. In the beginning, people were extremely sensitive to price changes and reacted strongly to increases of only 1 or 2 cents. In contrast, people's attention to prices in 1987 was based on their increased acceptance of the reform. At that time, the prices of many commodities, agricultural and sideline products in particular, kept down by state subsidies in the past, were rising, and the prices of many small commodities fluctuated as dictated by the law of value. These repeated external stimuli gradually raised the threshold of people's awareness. The price problem arising under these circumstances was apparently not of a sudden and temporary nature, but could become a recurring social phenomenon that could last a long time.

2. In 1985, prices became the focus of public concern because the living standards for a significant proportion of the people were affected. According to a survey conducted at that time, the majority of households had

readjusted their diet, eating less fish and meat, but more eggs and vegetables. To keep food consumption at the accustomed level, some people cut down expenditures on clothing and necessities; others gave up planned purchases of durable consumer goods; still others had to draw from their savings. Nearly half of the people felt that the price reform had lowered their standard of living. It was because their wage increases failed to keep pace with the rising prices. In contrast, in 1987, the public was concerned about prices despite the fact that the vast majority of the people felt that their living standards had improved. Speaking in abstract terms, probably no one in any country at any time would favor rising prices. However, rising prices would be welcomed by most of the people, if they were accompanied by higher living standards, abundant market supplies, and the turning of seller's markets into buyer's markets. This has been proven by the postwar experience of many countries. In China today, most people think that their living standard is improving and that the markets are also making a turn for the better (even among those who are unhappy about the price situation, 87.1 percent feel that their living standard has not been affected or has improved, and 76.3 percent think that the market supply situation is improving). On the other hand, they are generally very concerned about the price situation. The reasons are complex and go beyond the price problem itself.

3. In 1985, information on the price situation was mainly passed on from person to person. Accurate information was unavailable, and the situation was often distorted or exaggerated. The people were worried, and there were panic buying and runs on banks in some places. In contrast, in 1987, information on the price situation was disseminated mainly by the mass media, directly reaching hundreds of millions of people. There was less chance for reports to be distorted. Although there was widespread public concern over the rising prices, no panic buying occurred in 1987.

#### **Profound Psychological and System Reasons for Public Concern Over Prices**

Besides the two major reasons for the public's concern over prices in 1985 (namely, the lack of psychological preparation of the people for higher prices, and the lowered living standard for some people), the price problem of 1987 had its more profound psychological and systemic reasons.

The major psychological reasons were: 1. People expected too much from the reform. When the reform brought only limited material benefit, the high expectations turned into bitter disappointment, and the reform was held in contempt.

In the present stage, the two most popular expectations from the reform are: income, hoping that the reform will bring higher income; and security, hoping that the reform will not entail risks or change the accustomed

lifestyle. Obviously these two expectations are contradictory. To alleviate people's disappointment, they should be helped so that they can see the irrationality of their expectations and understand that to win higher income, they not only must work hard but must take risks. No one can win higher income by refusing to accept the challenge of market competition and risks. However, the media today are still more inclined to give publicity to the winners in market competition and hardly ever mention the losers. They still refer to successes in market competition simply as the result of reform, and failures as accidents and unusual occurrences. This is not the way to guide the people in scientific thinking and adapting themselves to life in a commodity economy.

2. People are susceptible to psychological influence by someone in their own group or from another group. a) Suppose during a show in a movie theater, someone in the audience suddenly cries "Fire!" and runs to the exit, the entire audience can be thrown into panic. This kind of psychological influence is also a major cause of price panic. Even those whose living standard has improved quickly are vulnerable to such influence and can still panic about prices (such people make up 52.7 percent of those who are unhappy about the price situation). b) The policymaking departments and the masses are also objectively influencing each other in their mutual concern over the price problem. Particularly influential is the way the price situation is handled by the press, television, and radio, which makes people more worried than need be. c) There is widespread dissatisfaction among the people about the unhealthy tendencies, jobbery, the inability of workers to change jobs, and so forth. This feeling of dissatisfaction is also an important cause of the price panic. In today's propaganda work, it is necessary to avoid making too many promises on the price problem and pay special attention to preventing people from expecting too much on the government's determination and ability to act and bring prices under control. Expectations like these can become the trigger for a new round of price panic.

3. A considerable number of people are troubled by a sense of insecurity toward the future. The May 1987 survey showed that 57.5 percent of the people believed that China did not have a firm price policy. In the October 1987 survey, the figure increased to 59.1 percent. When people are faced with a future of uncertainty, unable to predict what changes will take place, and unable to plan on what to do in dealing with the unexpected, they are bound to feel insecure. Because of this, it is extremely important to keep the public informed about policies. A clear explanation of price policies (for example, the linking of wages with basic food items, the inevitability of the continued increase of the prices of agricultural products due to limitation of resources, the inevitable but limited fluctuation of prices according to the law of value, and so forth) to give people a general idea of future price trends will help alleviate their fear of price increases.

The major systemic reasons are: 1. As long as prices keep rising and fluctuating, people are bound to look for opportunities to increase their income. But, under the present personnel and wage systems, it is often impossible for people to increase their earnings by choosing better jobs and working harder. The resulting frustration can only be vented on prices and on the government and become a mental block against the price reform. Conversely, if people have the right to choose their own work, making their own decisions on what to do and whom to work for based on their need and ability, they will then assume responsibility for their own success or failure, and cannot blame the government if their income falls behind the rising prices. The surveys showed that in areas where greater progress has been made in reforms and relaxation of controls and where the principle of free choice has been implemented to a greater extent, the people are less likely to worry about rising prices. For example, Guangzhou City has experienced rather sharp price increases and fluctuations, but it has the fewest people complaining about prices among all Chinese cities (including small cities), and the number is far below the national average and that of Beijing, Tianjin, and Shanghai. Therefore, the fundamental way to dispel the fear of rising prices is to speed up the reform of the personnel, wage, and social security systems, allow people to move from one job to another, encourage the formation of a labor market, and create more opportunities for people to choose their own work.

2. There is a lack of powerful and wide-ranging consumer organizations and chamber of commerce organizations. Faced with price increases and fluctuations, consumers have the feeling that they are always the losers. Under the circumstances, consumers cannot find a normal and effective channel to express their views on their interests, nor can they find the right organization (chambers of commerce) to express their views to. Unable to do anything to the commodity suppliers, they can only send their messages directly to the government in a haphazard and panicky manner, and the government is often forced to intervene and iron out the differences between suppliers and consumers. Therefore, an important guarantee to prevent price panic is to improve the existing consumers associations at various levels and establish various forms of new consumer organizations as soon as possible and give them the power needed to represent the interests of the consumers and act as their spokesmen. At the same time, it is necessary to set up chamber of commerce organizations as soon as possible to represent and protect the commodity suppliers' interests on the one hand, and hold dialogues with consumers for the latter to voice their complaints on prices, product quality, and service attitude.

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["Communique on Economic and Social Development Statistics for 1987 issued by the Provincial Statistics Bureau on 24 March 1987"]



[Text] In 1987, under the leadership of the provincial party committee and government, the people in Shaanxi continued to implement the policy of reform, opening up, and economic invigoration; vigorously carried out the drive to increase production and practice economy and increase income and retrench expenditure; made efforts to deepen enterprise reform; implemented the contracted management responsibility system; and achieved remarkable successes. Industrial and agricultural production grew in a sustained and steady manner, urban and rural markets were brisk, tourism and foreign trade were further expanded, and new headway was made in science and technology, culture and education, public health, and sports. According to initial estimates, Shaanxi's gross national product for 1987 was 22.65 billion yuan (Footnote 1) (Gross national product refers to the increased value of both the material productive and nonproductive sectors, and net income from other provinces and abroad, not including the value of products and labor services consumed by intermediate units) and national income amounted to 18.07 billion yuan, an average increase of 9.3 percent respectively over 1987. The major problems in national economic development were that society's total demand outstripped total supply, the shortages of some commodities including principal nonstaple foodstuffs, substantial price hikes, and the rapid growth of population.

## I. Agriculture

Despite serious natural disasters, remarkable achievements were attained in agricultural production in 1987. The total output value of agriculture reached 7.34 billion yuan, a 2.7 percent increase over 1986.

The output of all principal farm produce increased. Grain output totaled 9.879 million tons, second only to the high recorded in 1984 and an increase of 224,000 tons over 1986. Of this total, summer grain dropped by 277,000 tons, while autumn grain increased by 501,000 tons, the drop in summer grain being offset by the increase in autumn grain. The 4-year decline in cotton production was brought to an end. The total output of oil-bearing crops, tea, silkworm cocoons, cured tobacco, and fruit hit an all-time high.

The output of principal farm produce was as follows:

|                    | 1987           | Percentage change<br>from 1986 |
|--------------------|----------------|--------------------------------|
| Grain              | 9,879,000 tons | 2.3                            |
| Cotton             | 56,000 tons    | 34.9                           |
| Oil-bearing crops  | 315,000 tons   | 4.6                            |
| of which: rapeseed | 198,000 tons   | 9.7                            |
| Cured tobacco      | 50,000 tons    | 20.2                           |
| Silkworm cocoons   | [unclear] tons | 13.5                           |
| Tea                | 4,000 tons     | 17.6                           |
| Fruit              | 488,000 tons   | 29.3                           |

Thanks to the implementation of the "Forestry Law" and to efforts made to strengthen management over forests, the quality of afforestation improved somewhat.

However, there was indiscriminate felling of trees in some localities and fire protection work in forestry was a weak link.

In animal husbandry, large animals increased for 5 successive years. The number of sheep and goats also rose, with numbers of milk goats reaching a new high. The output of milk, beef, mutton, poultry, and eggs increased. However, the number of pigs slaughtered and in stock and the output of pork and wool decreased in varying degrees.

The output of principal animal-by products and number of animals were as follows:

|                                | 1987           | Percentage change<br>from 1986 |
|--------------------------------|----------------|--------------------------------|
| Pork                           | 291,000 tons   | -2.1                           |
| Beef and mutton                | 27,000 tons    | 29.8                           |
| Cows milk                      | 91,000 tons    | 30.0                           |
| Goats milk                     | 124,000 tons   | 20.4                           |
| Wool                           | 3,000 tons     | -1.4                           |
| Pigs slaughtered               | 4,341,000 head | -3.5                           |
| Large animals at<br>year end   | 2,836,000 head | 5.0                            |
| Pigs at year-end               | 6,918,000 head | -11.1                          |
| Sheep and goats at<br>year-end | 4,635,000 head | 17.0                           |
| of which:<br>milk goats        | 745,000 head   | 15.2                           |

Fishery maintained its high development rate. The output of aquatic products was 12,000 tons, a 33.4 percent increase over 1986.

Investment in agricultural production increased and the construction of farmland irrigation projects was strengthened, resulting in improved conditions for production. In 1987 the aggregate power used by the province's farm machinery reached 6.23 billion watts, a 7.2 percent increase over the preceding year. There were 20,000 large and medium-sized tractors, the same as the previous year; 194,000 small tractors, up 13.5 percent; and 13,000 trucks, up 12.8 percent. The total consumption of electricity in rural areas was 2.18 billion kilowatt-hours, up 15.3 percent from 1986. But the problem of insufficient resources for further agricultural development remained and the output of major farm produce still failed to meet the needs of the national economic development.

Reforms in the rural areas continued to deepen and the production setup was further readjusted. The total social output value in rural areas (Footnote 2) (This includes the total output value of agriculture and of collectively and privately owned rural industries, construction, and transport and commerce) in 1987 was 18.5 billion yuan, an increase of 13.7 percent over the previous year. The proportion of rural industries, construction, and transport and commerce rose from 42.2 percent in 1986 to 44.1 percent.



## II. Industry

Industrial production increased steadily. The total output value of industry in 1987 was 24.07 billion yuan, a 14.2 percent increase over the previous year (the figure was 20.65 billion yuan after deducting the output of rural industry, an increase of 12.8 percent). Of this total, the output value of state-owned industry increased by 12.4 percent, collectively owned industry went up 14.5 percent, and individually run industry rose 46.8 percent. If calculated in terms of industries, the output value of light industry was 10.18 billion yuan, a 10.1 percent increase and that of heavy industry, 13.89 billion yuan, an increase of 17.3 percent (if calculated in terms of commodities, light industry increased by 13.5 percent, while heavy industry rose 14.7 percent). Light and heavy industries developed in proportion.

In industrial production in 1987, initial results were achieved in readjusting the production setup and product mix. Agricultural support industries increased remarkably; ordnance enterprises made marked progress in developing products for civilian use; electronics, energy, nonferrous metal, and chemical industries developed rapidly; machine-building and iron and steel industries developed steadily; the output of marketable textile and light industrial products increased by a big margin; and exports of manufactured goods hit an all-time high. However, the tasks of readjusting the industrial production setup and product mix were still arduous and the demand for raw materials, energy, capital, and transport facilities outstripped supply.

The output of principal industrial products was as follows:

|                                       | 1987                | Percentage Change<br>from 1986 |
|---------------------------------------|---------------------|--------------------------------|
| Cotton yarn                           | 173,000 tons        | 5.4                            |
| Cloth                                 | 740 million meters  | 3.9                            |
| Knitting wool                         | 2,906 tons          | 3.9                            |
| Woollen fabrics                       | 5.48 million meters | 33.3                           |
| Machine-made paper<br>and paper board | 270,000 tons        | 18.2                           |
| Chemical<br>pharmaceuticals           | 5,695 tons          | 10.3                           |
| Detergent                             | 21,000 tons         | 2.5                            |
| Bicycles                              | 256,000             | 58.3                           |
| Sewing machines                       | 705,000             | 5.7                            |
| Wrist watches                         | 1.43 million        | -8.5                           |
| Television sets                       | 675,000             | 33.2                           |
| of which:                             |                     |                                |
| color sets                            | 385,000             | 61.2                           |
| Household washing machines            | 250,000             | -4.0                           |
| Household refrigerators               | 24,000              | 107 fold                       |
| Milk products                         | 17,000 tons         | 41.7                           |
| Cigarettes                            | 904,000 cases       | 24.9                           |
| Beer                                  | 148,000 tons        | 15.3                           |
| Coal                                  | 28.56 million tons  | 0.0                            |
| Crude oil                             | 357,000 tons        | 34.3                           |
| Electricity                           | 14.37 billion kwh   | 14.8                           |
| including:<br>hydroelectricity        | 0.91 billion kwh    | 27.1                           |

The output of principal industrial products was as follows:

|                                | 1987                    | Percentage Change<br>from 1986 |
|--------------------------------|-------------------------|--------------------------------|
| Cotton yarn                    | 173,000 tons            | 5.4                            |
| Pig iron                       | 343,000 tons            | 31.4                           |
| Steel                          | 397,000 tons            | 9.7                            |
| Rolled steel                   | 266,000 tons            | 14.5                           |
| Cement                         | 4.693 million tons      | 5.6                            |
| Plate glass                    | 661,000 cases           | 12.7                           |
| Timber                         | 660,000 cubic<br>meters | 4.9                            |
| Sulphuric acid                 | 210,000 tons            | 5.2                            |
| Caustic soda                   | 41,000 tons             | 5.4                            |
| Soda ash                       | 9,884 tons              | 77.7                           |
| Chemical fertilizers           | 361,000 tons            | 28.5                           |
| Machine tools                  | 2,781                   | 1.5                            |
| of which:                      |                         |                                |
| high precision tools           | 128                     | -21.9                          |
| Motor vehicles                 | 855                     | 19.3                           |
| Small tractors                 | 23,000                  | 48.0                           |
| Internal-combustion<br>engines | 352,000 kw              | 91.1                           |
| Color kinescope                | 1.188 million           | 6.0                            |

New headway was made in deepening the reform of industrial enterprises. Of the province's state-owned industrial enterprises, 72.6 percent are implementing the system of factory director (manager) assuming sole responsibility and 59 percent are implementing various forms of the contracted management responsibility system. Of the enterprises implementing the contracted management responsibility system, those involved in contract or leasing accounted for 19.1 percent, those contracting for the profits or losses accounted for 17.1 percent, those contracting for profits delivery and retaining extraprofits and those contracting for the progressive increase in profits delivery respectively accounted for 22.9 percent, and those practicing other forms accounted for 18 percent.

Better economic results were achieved in industry thanks to the deepening of reform. Income from sales of the province's industrial enterprises practicing independent accounting in 1987 totaled 21.04 billion yuan, an increase of 18.3 percent over the previous year; profits and taxes reached 3.23 billion yuan, up 7 percent; and profits delivered amounted to 2.5 billion yuan, up 9 percent. Of this sum, income from sales of the local budgeted state-owned industrial enterprises totaled 9.32 billion yuan, a 16.4 percent increase; profits and taxes reached 1.49 billion yuan, up 9.2 percent; and profits delivered amounted to 0.97 billion yuan, up 9 percent, an increase which corresponded to output value. The amount of deficits incurred by losing enterprises dropped by 19.2 percent. Per capita productivity for state-owned industrial enterprises was 13,116 yuan, up 9.3 percent from 1986. The quality of principal products improved, while energy consumption fell. Because of external environmental changes and poor adaptability of some enterprises, however, both the amount of working

capital and costs increased. This required introduction of the competition mechanism and further upgrading of the management level.

Horizontal economic associations developed in depth. In the year the number of horizontally associated organizations made up chiefly of industrial enterprises above the county level reached 177, a 20.4 percent increase over 1986. This sum included 73 associations transcending provinces (municipalities and autonomous regions).

### III. Investment in Fixed Assets and the Building Industry

In 1987 investment made by the state-owned units in fixed assets totaled 5.81 billion yuan, a 23 percent increase or 1.09 billion yuan more than in the previous year.

With the implementation of the policy of "supporting key or productive projects and planned investment while curbing nonproductive or unimportant projects and extra-plan investment" in capital construction, the investment structure was further readjusted. Investment made by the state-owned units in capital construction totaled 3.44 billion yuan, an increase of 18.2 percent over 1986, the proportion of investment in productive projects which rose from 53.7 percent in 1986 to 58.8 percent and the proportion of investment in nonproductive projects dropped from 46.3 percent in 1986 to 41.2 percent. The transportation and communications departments invested 370 million yuan in capital construction, the proportion of which increased from 8.4 percent in 1986 to 10.7 percent; the light industrial departments invested 330 million yuan, the proportion of which increased from 5.6 percent to 9.7 percent; and investment made by agricultural and forestry departments in water conservancy projects increased somewhat, putting an end to the long-standing downward tendency. However, investment made by the energy and raw and semifinished materials industrial departments dropped from 18.2 percent and 11.4 percent respectively in 1986 to 16 percent and 8.9 percent.

Technological transformation of enterprises advanced steadily. In 1987 the province's state-owned units invested 2.07 billion yuan in updating equipment, a 26.5 percent increase over the previous year. Of this, investment made by the electronics, metallurgical, nonferrous metal, petroleum, machine-building, building materials, textile, light industrial, and tobacco departments outstripped their investment in capital construction in the same year. Of the total amount, 750 million yuan was invested in enlarging production capacity, an increase of 45 percent; 430 million yuan in increasing the variety of products, up 24.1 percent; 110 million yuan in improving product quality, up 37.9 percent; 40 million yuan in reducing energy consumption, up 23.9 percent; and 30

million yuan in dealing with waste material, up 53.6 percent. Of the investment in purchasing equipment, tools, and appliances, one-third was used in updating the outmoded equipment.

Construction of key projects was ensured. A total of 1,171 capital construction projects were completed and put into operation. The equipment of 1,045 projects was updated. Six key projects completed included: The project to enlarge the Xian Pharmaceutical Factory, the refrigerator production line of the Changling Machine Plant, the counterblow hammer project at the Hongyuan Foundry, the cotton-silk interweaving production line of the Xibei No 4 Cotton Mill, the Provincial Radio and TV Transmission Tower, and the Xian Satellite Monitoring Center. The 10 key projects basically completed included: The Shaanxi Glass Factory, the sulphuric acid project of the Shaanxi Compound Fertilizer Plant, the Xian Iron and Steel Plant, the project to enlarge the Baoji Petroleum Steel Tube Plant, the Provincial Tumor Prevention and Cure Research Institute, and the second phase project of Xian Guesthouse.

Better returns were yielded from investment. In 1987 the newly added fixed assets of state-owned units totaled 4.01 billion yuan, a 23.5 percent increase over the preceding year, the rate of availability which reached 69.1 percent. Of this, the newly added fixed assets totaled 2.35 billion yuan in capital construction and 1.45 billion yuan in updating equipment. The period of capital construction was shortened from 6.3 years in 1986 to 5.7 years and investment yielded better returns. Newly added production capacities in state-owned units include: 80,000 tons of steel, 9,255 tons of aluminium electrolysis, 750,000 tons of coal, 232,000 tons of crude oil, 15,000 tons of sulphuric acid, 2,000 tons of caustic soda, 18,000 tons of synthetic ammonia, 12,000 tons of chemical fertilizers, 300 trucks, 439,000 tons of cement, 34,000 cotton spindles, 1,380 woollen spindles, 17,000 tons of liquor, 17,000 tons of machine-made paper and paper board, 100,000 refrigerators, 107,000 mu of effective irrigated area, commercial and catering centers occupying an area of 128,000 square meters, 87,000 places for students of various kinds of schools, and 4,649 hospital beds.

Reforms in the building industry deepened. Last year 64 state-owned construction enterprises implemented the contracted management responsibility system and contracted 4,124 projects, which covered a construction area of 4.477 million square meters. The projects accounted for 75.8 percent of the province's total and the construction area accounted for 83.7 percent. The construction enterprises implemented the system for contracting salary used for the output value of every 100 yuan. Reform promoted the development of their business. In 1987 the total output value of the state-owned building industry amounted to 1.75 billion yuan, a 9.4 percent increase over the previous year. This total included 890 million yuan from local building industry, up 11.3 percent. Per capita labor productivity increased by 12 percent and the

quality of projects improved. The number of projects undertaken and the fine quality of construction reached 73.4 percent and 50.1 percent, an increase of 1.7 percent and 0.5 percent, respectively over 1986. Profits made by construction enterprises dropped 46.4 percent.

Geological surveys made marked progress. A total of 33 mineral bases were discovered last year. Reserves of 9.82 billion tons of coal were verified as were 11 kinds of minerals including gold, lead, zinc, and pottery clay, contributing to exploitation of Shaanxi's resources. A total of 162,000 meters of tunneling was completed in 1987.

#### IV. Transport, Posts and Telecommunications

The transportation departments deepened enterprise reform and continued to tap transport potentials. They overfulfilled the main 1987 production targets. The volume of passengers and cargo handled by various transport means increased in an all-round way.

|            | 1987 (billion)  | Percentage change<br>from 1986 |
|------------|-----------------|--------------------------------|
| Cargo      | 30.04 ton/km    | 14.1                           |
| Railway    | 29.16 ton/km    | 14.4                           |
| Highway    | 0.83 ton/km     | 5.3                            |
| Waterway   | 0.02 ton/km     | 1.3                            |
| Air        | 0.03 ton/km     | 44.9                           |
| Passengers | 17.15 person/km | 12.6                           |
| Railway    | 10.97 person/km | 10.0                           |
| Highway    | 4.78 person/km  | 12.7                           |
| Waterway   | 0.008 person/km | 3.2                            |
| Air        | 1.4 person/km   | 37.1                           |

Posts and telecommunications developed considerably. Business transacted by these departments totaled 95.19 million yuan, 105.9 percent of the annual plan or an increase of 18.9 percent over 1986. The number of letters handled went up 10.5 percent, parcels increased 9.4 percent, telegrams rose 11.5 percent, and long-distance telephone calls were up 15.4 percent. The year-end number of telephone subscribers in urban areas was 68,000, a 12.2 percent increase over 1986.

By implementing various forms of the contracted management responsibility system, the transportation departments attained better economic results, reduced material consumption, and made more profits.

#### V. Urban and Rural Markets and Supply and Marketing of Materials

Urban and rural markets remained brisk in 1987. The value of retail sales totaled 12.1 billion yuan, a 16.2 percent increase from 1986. Of the total retail sales, the value of consumer goods was 10.62 billion yuan, an increase of 16.1 percent, and of agricultural means of production 1.48 billion yuan, up 16.7 percent. The value of retail consumables bought by social groups reached 1.6 billion yuan, a 19.7 percent increase over 1986.

Commerce of various economic sectors developed and retail sales of all commodities has increased since 1986. Retail sales in the state-owned sector grew by 14.5 percent; in the collectively owned sector, by 14.9 percent; in the joint public and private-owned sector, by 1.6 percent; and in the individual sector, by 27.6 percent. An 18.2 percent rise was registered in transactions between farmers and nonagricultural people.

Consumer goods supply increased steadily. Food increased by 18 percent, garments went up 10.1 percent, and other necessities were up 17.9 percent. Apart from pork, sugar, vegetables, and some other foods which were in somewhat short supply, food supplies were sufficient.

Structural reforms in commerce progressed. By the end of 1987, over 50 percent of the large and medium state-owned commercial enterprises had implemented the contracted management responsibility system; and 90 percent of the small state-owned commercial enterprises were handed over to collectives and collective ownership, or leased to individuals. Over 90 percent of the supply and marketing cooperatives perfected the internal management responsibility system and over 40 percent of the enterprises implemented the target management responsibility system for leading cadres during their term of office. Enterprises were further invigorated and the markets were competitive. The number of urban and rural fairs in 1987 totaled 2,052, an increase of 3 percent over the previous year. Their business volume in 1987 amounted to 2.49 billion yuan, a 27.7 percent rise over the preceding year. Commercial associations spread continuously, numbering 91 by the end of 1987, a 30 percent rise over 1986. In 1987 they made a profit of 5.94 million on a turnover of 110 million yuan.

The market for capital goods continued to grow. As the proportion of materials distributed under state plan dropped, the proportion of materials purchased by Shaanxi rose. In 1987 the volume of materials purchased by the province's material departments totaled 1.28 billion yuan, a 48.5 percent increase over the preceding year. Of this, rolled steel rose 29.6 percent; timber, up 3.5 percent; cement, up 2.7 percent; and electrical and mechanical equipment, up 65.3 percent. Thanks to the expansion of the market for capital goods, sale centers increased from 964 in 1986 to 1,066. Their sales volume totaled 2.72 billion yuan, a growth of 24.2 percent. Of this, sales volume of the trading centers totaled 480 million yuan, an increase of 120 percent. Capital goods supplied by the material departments to rural areas increased somewhat, with sales volume reaching 200 million yuan, a 7.5 percent increase. Of this, rolled steel increased by 50.8 percent and electrical and mechanical equipment by 54.7 percent.

Retail prices rose considerably. The retail price index rose by 8.6 percent over the previous year. The retail price index rose 9.7 percent in urban areas and 7.1 percent in rural areas. The price of foodstuffs went up by

11.5 percent (meat, poultry, and eggs, up 22.9 percent; fresh vegetables, up 17.8 percent; and aquatic products, up 10.4 percent). The cost of clothes rose by 5.4 percent; daily necessities, up 6.7 percent; medicine and medical apparatus, up 3.8 percent; fuel, up 4.1 percent; and capital goods for farming, up 8.3 percent.

According to a sample survey of 19 cities and counties, in 1987 the cost of living index for employees went up by an average of 9.2 34:3,5; and over 10 percent in Xian, Baoji, Hanzhong, and Yulin; by 7 to 10 percent in Xianyang, Tongchuan, Weinan, Yanan, and Ankang; and by 5.9 percent in Shangxian.

The purchase price of farm produce rose by 10.8 percent.

The main problems in managing the market and prices were: Monopolized trades or enterprises arbitrarily raising the buying and selling prices of some scarce goods, and profiting a great deal by acting as business go-betweens. A number of stores and pedlars raised prices in disguise by offering second-rate goods as first-rate ones, or giving customers fewer goods than they paid for. All this increased the burden of customers.

## VI. Foreign Trade and Tourism

Foreign trade flourished and foreign exchange earned through exports increased by a big margin. In 1987 the province's imports and exports totaled \$347 million, a 47.7 percent increase over the preceding year. Of this, exports amounted to \$266 million, up 54.7 percent, while imports totaled \$81 million, up 28.6 percent.

Further advances were made in economic and technological cooperation with foreign countries and more foreign capital was used. In 1987 the province made use of \$102 million of foreign capital, an increase of 54.9 percent over 1986. This included \$29.1 of foreign loans, up 1.7 percent; and \$72.78 million invested directly by foreign businessmen, up 95.8 percent.

The tourist industry developed considerably and in 1987 Shaanxi attracted 301,000 tourists and visitors from some 100 countries and regions, 16.9 percent more than in 1986. Foreign exchange earned through tourism during the year amounted to 167 million yuan, up 37.7 percent over 1986.

## VII. Science, Technology, Education, and Culture

The ranks of scientists and technicians continued to expand. In 1987 a total of [figure indistinct] natural scientists and technicians were employed in state units, 9,687 more than in 1986. By the end of last year, Shaanxi had 384 independent, state-owned research and development institutes above county level, with a total work force of 67,000.

Shaanxi's scientific and technological achievements produced remarkable economic results. In 1987 a total of 12 inventions, 35 technical advances, and 18 inventive exhibits won state prizes, and another 112 scientific and technical advances won provincial prizes. A total of 444 scientific and technological achievements were registered, of which 10 were international innovations, 18 reached advanced world levels, 35 were domestic inventions, and 150 reached advanced domestic level. These scientific and technological achievements produced remarkable economic results. The "spark program" which is meant to boost economic development in the rural areas manifested its great vitality. Most of the projects involved were planned and implemented, and produced the desired results in the same year. In 1987 the 29 "spark program" projects turned out 340 million yuan of economic results. The technological market blossomed and a total of 4,700 contracts were signed worth 150 million yuan.

Patent work developed rapidly last year. The provincial patent office received 704 applications for patent rights, a 64 percent increase over 1986. A total of 185 patents were granted with the approval of the State Patent Bureau, up 130 percent.

Meteorological departments made fairly prompt and accurate weather forecasts, providing a great deal of socially and economically helpful data.

To boost economic construction and access to resources, the cartographical departments drew up 3,186 maps. Altogether 42 maps were printed, with a total impression of 3,763.

Education developed in the course of reform. Institutions of higher learning enrolled 2,351 postgraduates in 1987. There were 7,279 postgraduates studying, 1,677 of whom received postgraduate degrees. Universities and colleges enrolled 28,000 students last year and the total student body was 92,000, up 3.2 percent from 1986. Last year 26,000 students of higher education graduated. Institutions of adult higher education registered 17,000 students in 1987, making a total enrollment of 58,000.

The structure of secondary education was further rationalized. The various vocational and technical schools had an enrollment of 144,000 students, 12,000 more than in 1986. This represented 44 percent of the total number of students in senior middle schools. In 1987 there were 31,000 students studying at adult vocational schools and 245,000 at adult technical schools.

Elementary education was further strengthened and the pace of popularizing elementary education was accelerated. In 1987 there were 1.47 million pupils in junior middle schools and 3.394 million pupils in primary schools. The attendance rate of school-aged children rose from 97.7 percent in 1986 to 98 percent. Some 99 counties were recognized as popularizing elementary

education, with the rate reaching 92.5 percent. Much headway was made in special education for the physically disabled and mentally retarded.

The province's culture, press, radio, film, television, and publications flourished. In 1987 Shaanxi produced 11 feature films and 22 television series. "Old Well" and "Red Sorghum" each won awards at international film festivals, enjoying a reputation at home and abroad. A total of 202 feature films and documentaries were released last year. The province boasts 5,147 cinemas and film projection teams, 134 performing art troupes, 113 cultural centers, 113 public libraries, and 44 museums. The discovery of Famen Monastery and the first art festival sponsored by Shaanxi promoted the province's flourishing arts. In 1987 there were 4 broadcasting stations and 11 radio transmitting and relay stations, the rate of coverage which reached 56.8 percent. In addition, there were 5 television stations, 14 television transmitting and relay stations each with a capacity of more than 1,000 watts, and 142 ground satellite receiving stations, whose rate of coverage reached 56.6 percent. Some 470 million copies of 50 kinds of provincial, prefectural, and county newspapers, 29.36 million copies of 186 kinds of magazines and periodicals, and 72.78 million copies of 1,437 books were published last year.

### VIII. Public Health and Sports

Medicine and public health services improved. The province had 70,000 hospital beds at the end of 1987, a 3.7 percent increase over the previous year. Professional health workers numbered 112,000, up 3 percent from 1986. The total included 53,000 doctors, up 3.3 percent; and 21,000 nurses, up 5.8 percent. New successes were achieved in preventing and controlling various infectious and chronic diseases.

Athletes gave full play to their remarkable abilities. In 1987 Shaanxi's athletes won 51 gold, 28 silver, and 128 bronze medals in the major games held at home and abroad. The men's basketball and football teams were among the 8 strongest teams in the country and the women's football team was one of the 4 strongest national teams. The province's athletes broke 1 world record, 3 Asian records, 3 national records, and 1 national youth record. They achieved record results at the Sixth National Games, winning honor for the people of the whole province.

### IX. Living Standards

The number of people employed increased last year. In 1987 jobs were offered to 120,000 people in urban areas. The province had 3.58 million staff members and workers at the end of 1987, an increase of 80,000 over the previous year. This included 240,000 staff members and workers employed by state-owned units on a contract basis, an increase of 70,000; and 140,000 individual businessmen, 40,000 more than in 1986.

People's income in both cities and countryside continued to increase. In 1987 the province's gross payroll totaled 4.8 billion yuan, an increase of 500 million yuan or 12.2 percent over 1986. A sample survey of urban employees' families showed an average per capita income of 838 yuan for living expenses, a 10.9 percent rise from 1986. If price hikes are taken into account real per capita income rose 1.5 percent. A sample survey of peasants' families indicated an average per capita net income of 329.5 yuan, 10.2 percent more than in 1986, but income increased 6.2 percent in real terms. Savings deposits increased greatly. By the end of 1987, individuals' bank savings amounted to 8.83 billion yuan, 2.59 billion yuan or 41.4 percent more than the 1986 year-end figure. The income rise for urban employees of different status was not balanced and the real income of 21 percent of the urban families dropped because of price hikes. In the rural areas, the average annual per capita net income of 19 percent of the peasants' families was below 200 yuan.

Housing for both urban and rural dwellers improved. In 1987 a total of 3.953 million square meters of housing floor space were built in urban areas and 19 million square meters in the countryside.

Social welfare services improved somewhat. In 1987 the province had 1,208 social welfare establishments, providing for over 10,000 people. Urban and rural collectives provided for 43,000 elderly, disabled, and orphans. Families who were suffering great hardships were given relief and support. Work and study opportunities and conditions for the disabled improved. Great progress was made in supporting the poverty-stricken areas in southern and northern Shaanxi.

### X. Population

According to a sample survey of 1 percent of the population and calculations made in the latter half of the year, the province's birth rate in 1987 was 21.6 per thousand, the mortality rate was 6.3 per thousand, yielding a natural growth rate of 15.3 per thousand. By the end of 1987, the province had 30.89 million people.

Note: All figures involving gross national product and national income given in this communique are preliminary statistics and are calculated in terms of 1987 prices. The total output value of industry and agriculture listed here is calculated in terms of 1980 prices, and the rates of growth are calculated according to comparable prices.

## FOREIGN TRADE, INVESTMENT

### New Theory Sees Increased Trade, Calls for Further Decontrol of Foreign Exchange

40060219 Shanghai SHIJIE JINGJI DAOBAO  
[WORLD ECONOMIC HERALD] in Chinese 28 Mar  
88 p 14

[Article by Yang Peixin [2799 1014 2450]: "Reform Foreign Exchange System To Stimulate Foreign Trade"]

[Text] The mighty Chang Jiang, formed by the coalescing of Jinsha Jiang, Min Jiang, Tuo Jiang, and Jialing Jiang, flows through 10,000 counties, traverses Wushan, cuts across Sanxia, and passes the rapids before meandering its way forward. After crossing Sanxia, Chang Jiang begins surging eastward for a thousand miles. After the 13th NPC, China's economic structural reform also has entered a brand-new phase of a raging momentum. The philosophical inquiry into economic structural reform has become lively and animated, featuring an array of competing schools of thought. During the last few months, I was on a fact-finding tour to Jilin, Jiangsu, Jiangxi, and Inner Mongolia and realized that local initiative has come alive and development strategic studies have matured, inspired by General Secretary Zhao Ziyang's idea that the coastal areas should develop an export-oriented economy and take part in the great international circulation as well as the idea of contracting in local finance, foreign trade, and foreign exchange. Particularly noteworthy are the concept of "secondhand" put forward by Comrades Wang Qun [3769 5028], Bu He [1580 6378], and Pei Yingwu [5952 5391 2976] of Nei Menggu Autonomous Region and the concept of great local contracting proposed by Comrades Gao De [7559 3695] and He Zhukang [0149 4534 1660] of Jilin.

My research in Zhu Jiang delta in Guangdong, Tianjin, Wuxi, and Jiangsu convinced me that Comrade Zhao Ziyang's thinking about the great international circulation is consistent with the realities in China.

The Zhu Jiang Delta started out by engaging in the "three forms of processing and compensation trade," relying on Hong Kong and Macao compatriots to supply them with equipment and raw materials and teach them the technology. Once armed with the technology, they went into business on their own, borrowing capital from overseas Chinese or obtaining foreign exchange loans from the Bank of China. In fact, equipment, raw materials, and funds originated overseas and the market is located overseas. In a few short years, a variety of factories with a total work-force of 20,000 have sprung up in Guizhou Township in Shunde, their products—ceiling fans and lamps—being sold as far away as the Mediterranean and South and Central America. The fans were inspected and certified as up to standard by the U.S. Department of Commerce. That was how one product made its way into the great international circulation. Lasheer Woolen Blanket Factory, newly built in Heshan, makes first-class products that sell well in Hong Kong. Another success story is the polyester plant in Xinhui. That township and town enterprises succeeded in achieving international standards and breaking into the world market in just a few short years is an achievement one can only marvel at. Industry has grown faster in Guangdong than in other provinces precisely because it utilizes foreign markets, equipment, technology, raw materials, and funds in combination with China's ample labor force to work a miracle. One-quarter of Guangdong's gross provincial product is realized on the overseas market, one-quarter of its provincial income derives from overseas, and one-quarter of its funds comes from overseas. In 1987, Guangdong industry grew 29 percent, of which 8 percent at least could be

attributed to the policy of "beginning and ending the production process on the world market." In other words, the great circulation accounted for one-third of the increase in the economic growth rate.

My investigations in Tianjin show that Chinese products are highly popular overseas. In 1986, 400,000 "Feige" brand bicycles were exported, and 500,000 units are expected to have been exported in 1987. In 1986, Tianjin Watch Factory exported 1,120,000 watches and earned 4 million yuan in foreign exchange. Seventy percent of the bed sheets made by weaving mills are sold abroad, half to the U.S., half to Australia and Southeast Asia. Glassware factories generate over \$2 million in foreign exchange each year. A welding rod factory, whose products are exempt from inspection on the international market, earns over \$7 million in foreign exchange. Tianjin Chemical Plant exports \$6 million worth of alkali. The high-grade products of Tianjin Printing Ink Factory earn \$1 million in foreign exchange annually. Tianjin's export potential thus is still a long way from being tapped. Among spare parts for "Feige" brand bicycles, Japan wants chains, Southeast Asia wants free wheels, and West Germany wants car horns. The export prospects of car strips also are very good. Because China offers low wages, foreign businessmen have been switching their orders from South Korea and Taiwan to China.

From my research in Wuxi this year, I learned that half the factories there are exporters. Xiexin Woolen Textile and Dyeing Plant imports Australian wool and turns it into woolen fabrics, comparable in quality to their U.S. and British counterparts, for export to the U.S. Toy factories in Qianzhou Township, which are township enterprises, find a ready market overseas for their small dogs and monkeys and slippers made of imported Australian wool. Shoes, transistor radios, radio cassette chips, and color television from Wuxi are all very much in demand overseas.

Thus Comrade Zhao Ziyang's theory of the great international circulation is based on a review of China's policy of opening to the outside world in practice and represents a strategic measure to take advantage of the shift toward China of large numbers of orders in the wake of the appreciation of the South Korean, Japanese, and Taiwanese currencies. To implement the theory, the government has introduced financial contracting for Guangdong and Shanghai and carried out foreign trade and foreign exchange contracting nation-wide to allow localities to retain a larger share of revenues in order to improve the investment climate and enhance their enthusiasm to export and earn foreign exchange.

To achieve the goals of the great foreign circulation in full, we need to further reform China's system of foreign exchange control. While the developed nation exports over \$100 billion worth of goods, Chinese exports amount to only \$30 billion, which is how much the province of Taiwan alone exports. Why? This is closely related to the fact that we mechanically copied the Soviet model. Under the Soviet model, foreign trade is monopolized by foreign trade companies and foreign exchange incomes and expenditures are

highly centralized in the hands of the central government. Thus enterprises are cut off from the international market and remain in a state of self-imposed isolation. In France and Italy, the foreign trade ministries have few staffers other than the ministers and no state-run trading companies under them. All industrial enterprises are free to import and export on their own and foreign businessmen are free to order from them. Manufacturers can search for markets, domestic and foreign, on their own and all enterprises are part of the international market. Foreign exchange earnings are retained or sold by enterprises. This gives enterprises the autonomy to make use of foreign markets, raw materials, and funds to speed up production growth, at the same time taking part in international market competition. In the 1960's, Taiwan learned from foreign experience and allowed the market to determine exchange rates. Enterprises were allowed to keep their foreign exchange earnings and could import and export on their own. Coupled with an export-oriented policy, these measures rapidly boosted Taiwan's exports and foreign exchange derived therefrom, pushing its foreign exchange reserves to a high \$70 billion. Wang Yung-ching [3769 3057 1987], the king of plastics, made use of foreign exchange at the disposal of his enterprise to travel to many countries in the world to promote his products. He imported advanced technology and modernized his equipment each year. This is a recipe for guaranteed success in international competition. China has made some headway in foreign trade and foreign exchange reforms in recent years. The system of local foreign trade and foreign exchange contracting introduced this year is a crucial reform. But foreign exchange reforms must catch up with it. Mention exporting and Tianjin enterprises sigh and shake their heads; they feel helpless about this perilous task. According to them, the policy of allowing export-oriented enterprises to retain more foreign exchange has not been put into effect. The policy exists in theory but has not actually been carried out and so is not benefiting them in a tangible way. Enterprises have no decision-making power in foreign trade, their ties to the international market having been severed by foreign trade companies. Some foreign businessmen come here to discuss purchases, but foreign trade companies prevent factories from talking to foreigners directly. The factories, on the other hand, do not want the foreign trade company to take orders. As a result, much business is lost. Tianjin Sportswear Factory imports chemical fiber at a cost of 7,000 yuan per ton, but actually pays 18,000 yuan including tariffs and other charges. After processing, the product is exported. It costs the factory 7 yuan to earn \$1 in foreign exchange. Because of artificial reasons, therefore, its exports become a serious money-loser and prevent it from importing and exporting on a large scale. Foreign trade companies treat the prices of a product, its markets, and its development trends as a top secret, worried that once equipped with this kind of information, the factory would contest its procurement prices. Foreign trade companies handle a wide range of commodities and do not have the time to get to know consumers' opinions on behalf of the factory. Nor are they able to study in depth the state of market competition, new products, new processes, and new technology. Like the Great Wall, foreign trade monopoly cuts off the linkages between enterprises and the world

market. The factory ends up operating in the dark, with no idea of what the next year or the year after that will be like. It produces when it is told to produce, stops when it is told to stop. When an item is doing well on the market, the foreign trade company "rushes" out shipments. When sales are stagnant, it immediately "cuts" production. The enterprise becomes the foreign trade company's workshop, unable to function as a business or to grow.

The foreign trade and foreign exchange systems must be reformed if the contract system is to be carried out and perfected and if enterprises are to import and export extensively and continue to vitalize. 1) A majority of enterprises, not just those which market more than half their output overseas, should be empowered to import and export. Foreign businessmen should be allowed to talk to enterprises, and vice versa, so that the latter can come in direct contact with the international market and export on their own. This is an important part of enterprise operational autonomy. We should simplify the examination and approval procedures which an enterprise must go through when it wants to send someone overseas for business talks. We should allow enterprises to plunge into the international market to temper and steel themselves. 2) We should bring the exchange rates in line with reality. They should be such as to benefit exporters and suit importers. They must encourage exporting and curb importing. We must put an end to the inequitable situation, the product of an excessively low exchange rate, in which we take away the profits of export-oriented enterprises and use them to subsidize importers. The foreign exchange regulating market should be expanded and further opened up so that a realistic and reasonable exchange rate will emerge from the market to regulate the interests of exporters and importers. 3) The retention of foreign exchange should be affirmed and expanded. Right now enterprises capable of earning foreign exchange do not have the foreign exchange to send people overseas to study the market and obtain market information. They cannot promote their products or import advanced technology, equipment, and raw materials. We should rely on technical advances and high-quality products, not just the advantage of low wages alone, to enlarge our share of the world market. Who should retain and use foreign exchange? This is a strategic question. To allocate foreign exchange to enterprises and projects incapable of generating foreign exchange is sheer waste; they cannot beget more foreign exchange. This factor looms large behind our sluggish export growth and our difficulties in balancing foreign exchange incomes and expenditures. If we allow foreign-exchange earning enterprises to keep the foreign exchange, it would be like letting them keep the eggs to hatch chickens. More eggs will hatch more chicken which, in turn, will produce yet more eggs. In that case, foreign exchange will beget more foreign exchange in an endless cycle. According to enterprises in Foshan, all rolled steel they imported with foreign exchange the locality was allowed to retain was usable and was immediately put into production. In contrast, rolled steel imported by state materials supply agencies with foreign exchange and allocated to them was either too long or too short, either too big or too small. Nevertheless, they had no choice but to accept it



anyway to meet the needs of an odd job now and then. Why can't we allow construction units and steel-consuming enterprises to purchase foreign exchange on the foreign exchange regulating market directly and do their own importing? That way every single penny of foreign exchange will be put to good use economically and we also will avoid subsidizing importers at the expense of exporters. Accordingly, we should consider increasing the portion of foreign exchange retained by enterprises to, say, 80 percent, with the state purchasing the remaining 20 percent. Enterprises earning foreign exchange will then be able to pay for advanced technology and equipment from abroad, purchase necessary raw materials and spare parts, or sell off some of their foreign exchange to cover their costs. Projects and enterprises in need of foreign exchange, on the other hand, can also purchase foreign exchange on the market, which will compel it to economize on its use; they must stop importing what need not be imported. The foreign exchange control system that centralizes foreign exchange in the hands of the central government for unified use was created in the war years and during war preparations. We knew full well then that it is inconsistent with economic principles, but were forced to resort to it because of wartime need. Today we are engaged in peaceful construction and need to develop productive forces rapidly. We must overhaul the foreign exchange control system if we are to import and export on a large scale and take part in the great international circulation.

12581

## TRANSPORTATION

### Beijing Railroads To Open Container Freight Yards 40060207a Beijing JINGJI RIBAO in Chinese 18 Mar 88 p 1

[Article by Zhang Fuchun [1728 4395 4783]: "Beijing Railway Bureau Will Haul More Freight More Quickly for Export-Oriented Enterprises"]

[Text] Putting overall interests first and stressing efficiency, the Beijing Railway Bureau has established and improved a transport system adapted to the development of export-oriented enterprises and provided favorable conditions for economic growth.

The industrial and agricultural products transported by rail under the Beijing Railway Bureau make up 1/8 the value of China's total industrial and agricultural output. The bureau accounts for 1/4 the volume of the country's total rail freight. Each year, it hauls more than 72 million

tons of freight to Tianjin and Qinhuangdao alone. It plays an extremely important strategic role in guaranteeing transport of raw and semifinished materials and products for the export-oriented enterprises and in accelerating national economic growth.

First of all, because the bureau hauls 1/3 of all the coal transported by rail and because tens of thousands of export-oriented enterprises use coal for raw materials and energy, the bureau adopted a transportation system for its six subbureaus to expedite the movement of rolling stock from the east to the west, and coal from the west to the east. At the same time, an office and a loading and unloading command were jointly set up in Tianjin and Qinhuangdao with export-oriented enterprises to arrange and regulate freight services for the enterprises. A meeting is held every 10 days to study and make decisions on the movement of goods and rolling stock. The transport requirements of the enterprises are basically met.

As goods shipped by the export-oriented enterprises are usually in large quantities, they have increased the volume of cargo handled by the harbors. For this reason, the Beijing Railway Bureau has opened new freight yards in the vicinity of the Tianjin and Qinhuangdao ports, making use of its satellite stations and special rail lines. Three such freight yards, each with a storage capacity of 800,000 tons of goods, have been set up around the Tanggu harbor alone.

Moreover, to provide the export-oriented enterprises with fast transport services, the Beijing Railway Bureau has been actively developing the use of containers. Since the bureau began operating on an overall contract basis, 3 containerized freight yards have been established, with an annual freight handling capacity of more than 300,000 tons, and 18 more will be opened this year.

12802

## AGRICULTURE

### Projects Supported by National Natural Science Foundation

40060239 Beijing ZHIWU XUEBAO [ACTA  
BOTANICA SINICA] in Chinese No 2, 1988 pp 113-116

[Article by Qi Shu-ying, Department of Biological Science, National Natural Science Foundation of China]

[Text]



Table 1. Forty-one projects supported by National Natural Science Foundation of China

| Projects  | Name           | Position             | Organization  | Time (Month and Year) |
|---|----------------|----------------------|---|-----------------------|
| Studies on the Comparative Morphology and Systematic of Chinese Plants of Piperalea               | Zhang Sui-shen | Associate researcher | Northwest Institute of Botany                                   | 1988.01—1991.01       |
| The Study of Embryology of Hevea Brasiliensis (H.B.K.) Muell.-Arg.                                | Qiu De-bo      | Associate professor  | South China Academy of Tropical Corps                           | 1988.1—1990.12        |
| Studies of Floristic Components and Characters of Chinese Spermatophyte                           | Wu Cheng-yi    | Researcher           | Kunming Institute of Botany, Academia Sinica                    | 1988.01—1990.12       |
| The Origin and Evolution of Eukaryotic Algae of Cambrian  | Liu Zhi-li     | Associate professor  | Nanjing University  | 1988.01—1989.12       |
| The Study of Genus Gentiana of the World  | He Ting-nong   | Associate researcher | Northwest Plateau Institute of Biology, Academia Sinica         | 1988.01—1991.12       |
| The Study of Molecular Cytoecography in Some of Conservative Plants of China                      | Li Ling-chu    | Lecturer             | Fudan University  | 1988.01—1990.12       |
| The Study of Species Biology of Chrysanthemum   | Wang Jin-wu    | Associate professor  | Peking University   | 1988.01—1990.12       |
| The System of Computer Data of Plant Gene   | Gu Yan         | Associate researcher | Jiansu Institute of Botany                                      | 1988.01—1990.06       |
| Chemotaxonomy of Genus Arzemia of China   | Lin You-run    | Associate researcher | South China Institute of Botany, Academia Sinica                | 1987.09—1990.09       |
| The Developmental Study of Gametophytes of Chinese Ferns  | Bao Wen-mei    | Professor            | Harbin Normal University  | 1988.01—1990.01       |
| The Exploration and Utilization of the Resource of Antideases Satsuma Orange                      | Tan Hui-qing   | Assistant researcher | Wuhan Institute of Virology, Academia Sinica                    | 1988.01—1991.12       |
| The Study of Rare Fatty Acids in Wild Plants of Xishuang Banna                                    | Li Yan-hui     | Associate researcher | Kunming Institute of Botany, Academia Sinica                    | 1988.01—1989.12       |
| The Study of Benthic Algae in Northern Huang-Bohai Sea  | Wang Shu-bo    | Associate professor  | Liaoning Normal University                                      | 1988.01—1990.12       |
| The Survey and Utilization of Phytoagglutinins of Leguminosae in Shengnongjia Area                | Cheng Hai-fang | Associate researcher | Wuhan Institute of Botany, Academia Sinica                      | 1988.01—1990.12       |
| Studies on the Resource Characters, Introduction and Acclimatization of Genus Ephedra in Xinjiang | Liu Guo-jun    | Associate researcher | Xin jiang Institute of Biology, Soil and Desert Academia Sinica | 1988.01—1992.12       |
| Studies on Photosynthetic Light-Harvesting Pigment System of Green Plants                         | Chu Zhong-xi   | Associate researcher | Institute of Botany, Academia Sinica                            | 1988.01—1992.12       |
| Regulation and Control of the Sucrose Metabolism in Photosynthetic Apparatus                      | Xia Shu-fang   | Associate researcher | Shanghai Institute of plant physiology, Academia sinica         | 1988.01—1990.12       |

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| Studies on the Comparative Morphology and Systematic of Chinese Plants of Piperalea  | Zhang Sui-shen  | Associate researcher | Northwest Institute of Botany                           | 1988.01—1991.01       |
| Studies on the Structure and Function of Photosynthetic Oxygen Evolution System  | Mei Zhen-an     | Professor            | Peking University                                       | 1988.01—1990.12       |
| Studies on Photosystem II Reaction Center and Water-Splitting System   | Tang Xiao-song  | Assistant professor  | Sichuan University                                      | 1988.01—1989.12       |
| Studies on the Relationship Between Potential High Yield of Rice   | Zhang Qi-de     | Associate researcher | Institute of Botany, Academia Sinica                    | 1988.01—1992.12       |
| The Relationship Between Phosphorous and Photosynthesis or Photorespiration  | Cheng Sheng-shu | Associate professor  | South China Agricultural University                     | 1988.01—1990.12       |
| Studies on Photosynthetic Characteristics of Main Plant Population in the High Cold Meadow of Qinghai Plateau                            | Zhang Shu-yuan  | Assistant researcher | North west Institute of Plateau Plant, Academia Sinica  | 1988.01—1990.12       |
| Studies on Effects of Pollution—on Plants and Mechanism of Plant Resistance  | Yu Shu-wen      | Researcher           | Shanghai Institute of Plant Physiology, Academia Sinica | 1988.01—1990.12       |
| The Improvement of the Salt-resistance of Rice, I. Studies on Mechanism of the Salt-Resistance of Rice                                   | Yan Xiao-long   |                      | South China Agricultural University                     | 1988.01—1991.12       |
| Effects of Cyanide Resistant Respiration of Sweet Potato on Protection from Fungal Infection and Their Mechanism                         | Li He-sheng     | Associate professor  | South China Agricultural University                     | 1988.01—1990.12       |
| Studies on the Mechanism of Interreaction Between Pollen and Pistil and the Method of Overcoming Incompatibility                         | Tang Pei-hua    | Associate researcher | Institute of Botany, Academia Sinica                    | 1988.01—1991.01       |
| The Physiological and Biochemical Base of Differentiation and Development of Embryonic Cells of Plants, and Their Regulation and Control | Tang Xi-hua     | Researcher           | Shanghai Institute of Plant Physiology, Academia Sinica | 1988.01—1990.12       |
| Pollen Physiology and Fertilization Biochemistry*  | Cao Zong-xun    | Professor            | Peking University                                       | 1988.01—1990.12       |
| Studies on Correlation Between Plant Root System and Stomatal Movement   | Xu Xu-dan       | Associate researcher | Institute of Biology, Henan Academy of Science          | 1988.1—1990.12        |
| Studies on Control Mechanism of Plant Growth by Brassica Lactone   | Zhao Yu-ji      | Associate researcher | Shanghai Institute of Plant Physiology, Academia Sinica | 1988.01—1990.12       |

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|--|-----------------|----------------------|--|-----------------------|
| Studies on the Comparative Morphology and Systematic of Chinese Plants of Piperalea  | Zhang Sui-shen  | Associate researcher | Northwest Institute of Botany                                | 1988.01—1991.01       |
| Effects of Phytochrome on Synthesis of Plant Hormones in Peanut Plants   | Pan Rui-chi     | Professor            | South China Normal University                                | 1988.01—1990.12       |
| Regulation of Fructose-2, 6-Bisphosphate on Photosynthetic Carbon Metabolism   | Wu Min-xian     | Associate researcher | Shanghai Institute of Plant Physiology, Academia Sinica      | 1988.01—1990.12       |
| Oxygen Metabolism and Mechanism of Cell Injury by Active Oxygen  | Wang Ai-guo     | Associate professor  | South China Institute of Botany, Academia Sinica             | 1988.01—1990.12       |
| Nitrogen Fixation of Blue-green Algae and Its Regulation   | Chen Yiu        | Associate researcher | Shanghai Institute of Plant Physiology, Academia Sinica      | 1988.01—1990.12       |
| Studies on Isolation, Purification and Action Mechanism of Plant "Immune Protein"  | Ying Chu-yan    | Lecturer             | Fudan University   | 1988.01—1991.01       |
| The Phylogeny of Chinese Carex   | Zhang Guang-chu | Associate researcher | Shenyang Institute of Forestry and Pedology, Academia Sinica | 1988.1—1990.12        |
| Establishing the Gene Pool of Glycyrrhiza  | Li Xue-tu       | Lecturer             | Shihezi Agricultural College                                 | 1988.1—1991.12        |
| Artificial Control of the Differentiation of Vascular Tissue in Broussonetia papyrifera (L.) Vent. and Helianthus tuberosus L. | Li Zheng-li     | Professor            | Peking University  | 1988.01—1990.12       |
| The Study of Formation Conditions of Thylakoid of Modern Dinokontae  | Liu Zhi-li      | Associate professor  | Nanjing University   | 1987.10—1989.10       |
| The Study on Ultrastructure of Timbers of Important Dicotyles in China   | Zhou Yin        | Researcher           | Institute of Wood Industry, Chinese Academy of Forestry      | 1988.01—1992.12       |
| The Study of Reproductive Biology of Torreya Grandic Fort.   | Chen Zu-keng    | Associate researcher | Institute of Botany, Academia Sinica                         | 1988.01—1992.12       |

\*Emphasis projects of science fund

/9274

#### Hunan Agriculture Investment

40060260c Changsha HUNAN RIBAO in Chinese

7 Apr 88 p 1

[Excerpt] Financial departments throughout Hunan Province have increased their agricultural investment this year, the total has reached 70,830,000 yuan, an increase of 10.2 percent over 1987.

#### Hunan Hybrid Rice

40060260d Changsha HUNAN RIBAO in Chinese

16 Apr 88 p 1

[Excerpt] In 1987 the area sown to hybrid rice in Hunan Province was 441,600 mu, the per unit area yield was 161.6 kilograms, and gross output exceeded 71 million kilograms.

**Key Research Projects in Education During 7th 5-Year Plan**

40050199a Beijing GUANGMING RIBAO in Chinese  
2 Mar 88 p 3

[Text] This paper has obtained information from the offices of the Leadership Group for Planning China's Education Science that the key research projects in education during the Seventh 5-Year Plan have already been decided upon. They include altogether 148 key research projects, of which 29 state key projects have been submitted to the State Social Science Fund, 89 are key projects of the Education Commission, 27 are projects of ministries and commissions of the central government, and 3 are other projects.

**Key Projects of the State and of the Education Commission**

(\* Items are state key projects)

**On Basic Theoretical Research in Education:**

- \* 1. Practice and development of the Marxist educational theories in China (with emphasis on research on the practice and development of China's educational theory subsequent to the 3d Plenum of the 11th CPC Central Committee);
- \* 2. Study of policy decisions on educational investments;
- \* 3. Pedagogics;
  - 4. On instructions;
  - 5. Rational structure of the educational system and economic benefits from investments in education;
  - 6. Art education;
  - 7. China's educational capacity in the new era and its mechanism for regulatory adjustments;
  - 8. Educational theories and school patterns along the country's borders;
  - 9. Research in labor education in middle and primary schools;
  - \*10. Education as it relates to China's social changes.

**On Research in Educational Psychology;**

- \* 1. Research in the psychology of esthetics;
- \* 2. Study and application of psychology of teaching;
- 3. Developing and nurturing the psychology of middle and primary school students;
- 4. Theory and application of the psychology of learning in relation to teaching;
- 5. Diagnosis of slow-learning children, their education and training;
- 6. Research in the development of social character in children;
- 7. Internal and external factors in the formation of moral character in students and the relevant motivating system;
- 8. Research in the motivation toward achievement in middle and primary school students;
- 9. Research in the psychology of guidance and instruction in the area of self-study of mathematics.

**On Research in the History of Education:**

- \* 1. History of education in the Chinese revolutionary base areas;
- 2. Research in the educational-ideological system of Tao Xingzhi [7118 5887 4249];
- 3. History of the Chinese classical colleges;
- 4. Research in the educational ideology of the Northern and Southern Song dynasties;
- 5. History of American education;
- 6. History of British education;
- 7. Selective compilation of research material on the history of world education and pedagogics.

**On Research in Comparative Education:**

- 1. Research in current educational ideologies abroad;
- 2. Comparison of higher education in different countries;
- 3. Contemporary education and national development;
- 4. Engineering higher education in the Soviet Union;
- 5. Research in post-war trends in educational ideologies abroad;
- 6. Study of the Japanese strategy of educational development;
- 7. Comparison of theories of moral education;
- 8. Comparative study of physical education at schools;
- 9. Study of the qualitative improvement in foreign countries of the education of their graduate students;
- 10. Study of Australian education.

**On Strategy for Educational Development and Research in the Administration of Education:**

- \* 1. Study of the educational strategy in Shanghai;
- \* 2. Study of China's plan for educational development and of measures for the implementation of the plan;
- \* 3. Study of the educational strategy in the Zhujiang Delta;
  - 4. Study of education on Taiwan;
  - 5. Study of Overseas Chinese education;
  - 6. Study of education in Hong Kong and Macao;
  - 7. Establishing China's educational information network and research in education information science;
  - 8. Study of China's reform of the administrative organization for its higher education;
  - 9. Research in the strategy of developing higher teachers-training colleges;
  - 10. Research into the guiding rules and institutions for the training of qualified persons to serve as principals of middle and primary schools;
  - 11. Theory and practice of social support for education.

**On Research in Moral Education:**

- \* 1. Study of a comprehensive reform of China's moral education in middle and primary schools;
- \* 2. Study of the basic theoretical problems of moral education in the new era;

\* 3. Study of experiences in the reform of the ideological-political courses in middle schools;

4. Influences of foreign social and cultural ideas on China's young students and countermeasures against them;

5. Study of the ideological-political education of university students;

6. Studies by groups and collectives of scientific theories.

7. Formation of social ideals and education of middle school students in China's open cities;

8. Engineering design for education in social practice for university students;

9. Reform of moral education in special economic zones and open areas.

#### On Research in Higher Education:

\* 1. Research into diverse ways for training high-level specialized talents in applied sciences;

\* 2. Instructional principles and methods at institutions of higher learning.

\* 3. Study of the quality of China's socialist scientific and technological talents and the training processes for them;

\* 4. Study of higher education ideology;

\* 5. Study of the rules for training high-level engineering talents in the new era and application of these rules;

\* 6. Study of the reform of liberal arts education in China's institutions of higher learning;

7. Study reforming the recruiting of students and their examinations at general institutions of higher learning;

8. Study reforming China's teacher-training education;

9. Laboratory constructions as related to training talents at China's institutions of higher learning;

10. Study and practice of an evaluation system with Chinese characteristics in higher education and its practice;

11. Research in China's higher education in connection with the management of institutions of higher learning;

12. Research into some problems in the rules that govern the training of talents in liberal arts and sciences;

13. Technique and evaluation of comprehensive financial planning, budget management, formulating model plans, and policy decisions in institutions of higher learning;

14. Research in the system of Chinese university students participating in practical social work.

#### On Research in General Education:

\* 1. Experiments and studies regarding the comprehensive reform of general education;

\* 2. Reasons, consequences, and countermeasures regarding the single-minded efforts to have a high proportions of students promoted to higher grades;

\* 3. Research into a comprehensive reform of rural education;

\* 4. Study of a 9-year system of universal compulsory education in the western provinces;

\* 5. The status and role of workers' schools in the prevention and forecasting of juvenile delinquency;

6. Study of a reform of the curriculum in general middle schools;

7. Investigation and study of teacher quality in middle and primary schools;

8. Research in work skill education in urban middle and primary schools;

9. Research in extra-curricular scientific and technological activities of youths;

10. Study of the education of children in rural areas;

11. The position and role of extra-curricular activities in the reform of the educational system;

12. Instructional content and composition of general education in China;

13. Ways to meet the special needs of China's new era by improving children's education;

14. Research in education at the age of puberty;

15. Evaluating Chinese scientific education at general junior middle schools during the late 1980's.

16. Evaluating middle and primary school education.

17. Study of experiments in rural areas with patterns of general junior middle school education which combines general education and vocational education.

18. Research into the characteristics of children aged 8 to 15 of single-child families and the rules that guide their education.

19. Studies of ways to improve the quality and effectiveness of basic education in rural areas.

20. Theory and practice of art education in Chinese schools.

21. Studying experiments and investigations into the capability of courses to further training objectives.

#### On Research in Vocational Technical Education:

\* 1. Research and experiments as to the ways economic developments are served by vocational technical education in the old base areas, areas of the national minorities, mountainous areas, border regions, and in the areas of overseas Chinese.

\* 2. Study of a strategy for the development of Chinese vocational technical education by the year 2000.

3. Research into systems of vocational technical education.

4. Studying the development of vocational technical education in connection with the simultaneous reform of the labor personnel system.

5. Research and experiments with vocational guidance.

6. Study of the basic theories of vocational technical education.

7. Research into and experiments with the educational orientation of vocational middle schools, their training standards, forms of instruction, and their qualitative evaluation.

8. System of training qualified instructors for vocational technical education and qualifications required of them.

9. Research into higher vocational technical training.

**Research in Adult Education:**

- \* 1. Technical education of peasants in relation to economic development in rural areas.
- \* 2. Study of on-the-job training in industrial and commercial enterprises.
- \* 3. Study of patterns of post-senior middle school education.
- \* 4. Research in long-distance education by mainly employing electronic information techniques.
- 5. Study of the development and management of higher correspondence education.
- 6. Standards for vocational on-the-job training in specialized vocations within the system of adult education.
- 7. Research in continued engineering education.
- 8. Intellectual development of school graduates in townships in rural areas.
- 9. Study of the educational background of adults.
- 10. Study of the scientific setup of examinations as applied to examinations of higher self-study courses.

**Research into the Reform of Entire Educational Systems:**

- 1. Changping County of Beijing Municipality.
- 2. Keqiao District of Shaoxing Municipality, Zhejiang Province.
- 3. Luanchuan County, Henan Province.
- 4. Dongfeng County, Jilin Province.
- 5. Jinghai County, Tianjin Municipality.
- 6. Heng County, Guangxi Autonomous Region.
- 7. Shunde County, Guangdong Province.
- 8. Dazhu County, Sichuan Province.

**Others:**

- \* 1. A volume on contemporary Chinese education,
- \* 2. A comprehensive dictionary of education.
- \* 3. A comprehensive dictionary of psychology.

**Key Research Projects of Some Ministries and State Commissions:**

**State Machine-building Industry Commission:**

- 1. Studying the forecasting of demand and the development of a strategy for educating talents for the engineering industry;
- 2. Theory and practice of scientific, modern management of higher education;
- 3. Modernizing management of logistics for higher education;
- 4. Studying patterns for intellectual development and benefits from them;
- 5. Training of high-level engineering and technological talents for the engineering industry;
- 6. Research in vocational education for technical workers in China's engineering industry;
- 7. Study of continued engineering education in all branches of China's engineering trade.

**Ministry of Coal Industry:**

- 1. Research in the development and reform of a higher engineering education with Chinese characteristics for the coal industry.

**Ministry of Electronics Industry:**

- 1. Studying a strategy for the development of an electronic industry education.

**Ministry of Commerce:**

- 1. Studying strategy for the development of higher commercial education.

**Ministry of Railways:**

- 1. Evaluating the economic benefits of industrial courses in institutions of higher learning.
- 2. Research in the management of a system of institutions of higher learning with railway engineering courses.

**Ministry of Culture:**

- 1. Research in the instruction of dance;
- 2. Basics of the science of dance.

**Ministry of Agriculture, Animal Husbandry, and Fishery:**

- 1. Studying a reform of the system of recruitment and job assignments at agricultural secondary schools;
- 2. Comparison of agricultural education systems.

**Ministry of Textile Industry:**

- 1. Strategy for the development of higher education in textile engineering;
- 2. Exploring possible reforms of higher engineering education at the undergraduate and post-graduate levels;
- 3. Exploring the rules by which ideological changes occur in students of general institutions of higher learning and the rules that govern their ideological-political work;
- 4. Studying composite patterns for higher engineering education, with textile engineering education as research object.

**Ministry of Justice:**

- 1. The state's socialist modernization in relation to the objective of specialized training in law;
- 2. Exploring the linking of theoretical education in politics and law at institutions of higher learning with the realities of society;
- 3. Research in the theories of legal education;
- 4. Research regarding the standardization of ideological-political education of students at universities teaching political science and law.

### Ministry of Metallurgical Industry;

1. Studying strategy for the development of higher education in metallurgy;
2. Ways to achieve perfection the instructional procedures at institutions of higher learning;
3. Systems theory, information theory, and cybernetics as applicable in the management of higher engineering education.

9808

### CASS Scholar Discusses Transformation of Moral Concepts

40050178 Shanghai SHIJIE JINGJI DAobao  
[WORLD ECONOMIC HERALD] in Chinese  
29 Feb 88 p 7

["Summary" of article by Mao Yushi [5403 0056 6524], Institute of American Studies, Chinese Academy of Social Sciences: "From Negation to Affirmation" by Tong Hua [4547 2901], editor]

[Text] It seems that morality and individual interest conflict with each other. When morality negates individual interest, but affirms the interest of others, is it then based on interest considerations, or does it take interest considerations lightly? In particular, if all members of society accept the moral concept of selfless interest and follow such a standard to guide their actions, resulting in this moral concept becoming a social standard, how can the interest of the greater society be assured? From this, we can see that the viewpoint of morality and interest as strictly contradictory to each other is a fragmented, and even harmful, concept. Not only must we recognize that morality should enhance the total interest of the whole society, we must also understand, on the level of individual moral concepts, that apart from sacrificing individual interest to demonstrate an actual moral act, admitting this individual interest also meets the moral standard.

In the wake of economic reform in China, the commodity economy is growing, and interactions between people are on the rise, as is the friction between them. The interest relationships between people are becoming even more interdependent, and clashes are common. These incidents are reflected in the newspapers every day. Possibly, the picture of such interwoven interest relationships has never been seen in several thousand years of Chinese history. Moreover, such phenomena may become even more widespread as economic development moves forward. Against such a background, the problem of moral concepts naturally becomes a social concern. During the 12th Party Congress in September 1985, it was proposed that building a spiritual civilization and a material civilization must proceed together at the same time the "Five Stresses and Four Beauties" movement was initiated with a renewal of the Lei Feng spirit. Such moral reform coincides with a shakeup of

Party morale and attacking wrongdoing in the economic sector. Undoubtedly, this is a guarantee for the smooth progress of economic reform in an important and vital aspect.

However, whether we need to establish certain moral concepts, and what their ethical basis should be, have not been explored in depth. It seems that many cadres working in this area have not given this matter serious thought, particularly the dialectical relationship between morality and interest as mentioned previously. Their results must naturally involve using moral concepts held in the past as a standard, from which actions of the new era are judged. I do not think this is adequate. In some cases, it is not even suitable.

A typical example can be presented here. We have repeatedly seen on television, during initiation of learning "Lei Feng" activity, the scene of free service being provided to the masses is shown. A kindly "learning from Lei Feng" person offers to repair boilers, tools, and other utensils without charge, and people waiting for such repairs form a long line holding their worthless and broken tools and utensils. If it were not for the fact that such service was free, they would not be spending money to fix an item that may not be useful for much longer. Such broken items may have been recovered from a trash heap. As far as the whole of society is concerned, such expenditures of labor and material resources for repair that nets only a tool of such low value are actually a waste of social resources. That such waste occurs is due to an incomplete understanding of morality which regards individual sacrifice in service to others as beneficial to society. We can imagine that in the ideal nation of good men in the novel "Tale of the Mirrored Flower" [Jinghua Yuan], where all the people are willing to subordinate their personal interest to fight together for the interests of others, such a society will encounter massive confusion without any economic benefits to speak of. The fact that modern society can undergo rapid economic development actually depends on the intelligent planning on the part of each individual of his life, this planning is precisely self-centered and not other-centered. Moreover, even should such a free service benefit society, or its economic significance is overlooked and considered only from a moral viewpoint, such activity is not worth promoting. The noble act of one individual attracts many who do not come to learn to practice noble acts, but to take advantage of the situation. Its effect on society is more negative than positive. But national television continues to spread this message, so that whenever people think of a contribution to society they will think of serving others.

To understand why the nation's media organizations regard building a spiritual civilization in this light, we must review the origin of China's ethical concepts, because these concepts are closely related to cultural tradition. Of all changeable social phenomena, only those which are relatively stable will be continuously passed on.

China's ethical concepts include benevolence, righteousness, manners, wisdom, trust etc., but the core concept is "benevolence." From "caring for our aged to caring for the aged of others, and from nurturing our young to nurturing the young of others," and to universal love promoted by Sun Yatsen, the thread of compassion and love runs throughout. That such a moral concept could be maintained over several thousand years was determined by the production structure of China's society. On the foundation of a feudal society based on small scale agricultural production, the people's lives seldom depended on any interchange. Except for family members, the regular interaction between people was usually limited to neighborly exchanges. Problems resolved by moral concepts at this time were limited to family relationships and neighbor relationships. A person only needed to be benevolent to maintain these relationships. Characteristics such as piety, generosity, respect for elders, and unselfishness all stemmed from "benevolence." To maintain their feudal system and their personal control, the ruling class built loyalty and patriotism onto this benevolence-centered foundation to complete a traditional moral concepts system. What is "li" or manners rounded out the picture. By adhering to these moral concepts, each individual underwent "cultivation of self, which leads to family togetherness, which in turn leads to a nation well ruled, which leads to peace on earth." In the feudal society with its limited production capacity, this progression from the individual to the family, which was both the production and consumer unit, toward a national ruling unit based on the social power structure was very natural.

When society progressed to the commodity society (whether capitalist or commodity socialist), the complexity of human relationships expanded considerably from that of the feudal society. The feudal moral concepts based on small-scale agricultural production became far from adequate in assuring normal operations in a more complex society. Therefore, in accordance with developments in production capacity, a new set of moral concepts had to be developed. If this new set of moral concepts cannot be spontaneously established by us, it will be a hindrance to progress in social production. Conversely, if we can deliberately organize the formation of such new moral concepts, then production growth will receive a great assist. Since 1949, we aimed to replace traditional moral concepts with communist moral concepts. Generally speaking, the distribution principle of communism is based on "each one to do all one is able, and each one to receive according to one's needs." In other words, it completely severs the relationship between distribution and contribution. Free service to others is one explanation of communist moral concepts. However, as we have seen, it has not been beneficial for raising social productivity. It can be seen that a certain degree of confusion in moral concepts practice can retard economic growth. Actually, what we have

hitherto acclaimed as a model cannot contribute to social development. Such a paradox is already seen on the China mainland where the system is undergoing transformation.

The new moral concepts that need to be established by the commodity society must be rich in content. Though the basic purpose is to maintain the high efficiency of the commodity society, it is like that of the feudal society whose purpose was to maintain the stability of its operation. The core thought behind moral behavior in the commodity society can be generalized within a code of professional or occupational ethics.

In the small scale agricultural society without any bartering or exchange activity, no occupational concept exists, except for one "occupation" which is engaged in by all families. If there were any occupational ethics to speak of, it would be not to disrupt agricultural activity or family life. As long as one's own production routine was in order, the family's livelihood was basically assured. However, in the commodity society with its minute division of labor, very many different occupations emerge. It is on such a foundation that society's production structure is established. Though each member of society maintains his family by engaging in a certain occupation, such an occupation cannot directly provide consumer goods for his family. Conversely, numerous products and services used by each family are provided by others engaged in other occupations, and each individual receives indirect benefits from direct service to others. The wealth of each individual member of society is determined by the productivity of other members, and the work quality of any member will affect a large segment of people who serve him. This is the main difference between the commodity society and the small-scale agricultural society. In the commodity society, performing one's work well is not a personal matter, and it is under such circumstances that the concept of professional or occupational ethics is born. Among people engaged in various occupations in the present society, the phenomenon of "much work, little play", in comparison to national prosperity, is quite prevalent and serious. Arguments between salespeople and customers are seen all the time. It is not that they are generally unethical, as they may be good wives and mothers at home. Or they may be good husbands and fathers. What is lacking is a new moral concept or code of ethics that is suitable for the commodity economy. Try comparing this with that in Western society where the commodity economy is flourishing, and see the marked difference. In the West, it is more common to see an individual free to do as he wishes in the family, be it separation from his wife or abuse of his children, than it is in China. However, such an individual may be extremely courteous at work to his customers. Our approach in China does not emphasize professional ethics. Model situations lauding service personnel do not emphasize how to serve large numbers of people, but describe only how to "do good," which is really service directed toward one individual only. Sometimes, this abandoning of one's post



and sacrificing the benefits of serving many to "do good for one" is actually a loss and not a benefit. A well organized society does not depend on mutual "do good" acts to keep itself together, but on each individual practicing a moral code of professional ethics.

When an individual receives an award in the course of his work, that does not involve any ethics. It is a simple act of exchange, which is not too different from most commodity exchanges. However, a society cannot solely depend on a series of unrelated exchanges to assure its continuous operation effectively under any, and all, circumstances. Society expects that each individual is loyal and receptive to, and protective of, his job. While he may not think of it as an equal value exchange since no personal benefit is derived from it, but he is prepared to sacrifice his personal interest, even to the point of giving up his life, that is considered the highest standard of professional ethical conduct. This elevates the original commodity exchange concept to an ethical concept. Thus, loyalty to the ruler in the feudal society is replaced by loyalty to the job.

The more minute the division of labor in a society, the more active the exchanges, and more frequent the personal interrelationships. Take factory production as an example. It takes a mix of 10 kinds of raw material and byproducts to manufacture a product. Any delay in the supply of these materials can affect the timely shipping of the product. If the product of this particular factory requires raw materials from several other plants, this list of factors would be even more extensive. In such a society, the action of each individual is governed by plans of other individuals on one hand, while it affects the plans and actions of another group of people on the other. Therefore, trust becomes an important factor in assuring society's normal operation. China's traditional moral concepts also include the concept of "trust," though it is treated simply as a part of personal image, and not considered as a gauge of social interrelationships. Therefore, it only assumes a very secondary role in the total composite of moral requirements. In a matter as great as the nation's constitution or as small as the starting time for a movie, this may not count, but frequent and regular changes are best described by the saying, "Planning cannot never catch up with change." In the wake of economic reform, commodity exchange is growing rapidly, and broken promises pose great problems for society's living arrangements. Of course the results are economic loss.

A first step in keeping promises is being punctual. Whether it is scheduling a motor vehicle, or opening a

meeting or a store, they should be observed with punctuality, otherwise the time of individuals involved in the activity would be wasted. Example of a further step is demonstrated by each individual carrying out his plan responsibly, so that others can carry out their responsibilities as planned. Example of a still further step requires establishing product reliability for commercial commodities and brands. In a highly developed commodity society, trust and confidence relationships permeate every corner. Contract relationships substituting for clan relationships is an important indication that the commodity society has replaced the feudal society. If the contract cannot be relied on as trustworthy, it is nothing but a piece of paper, and the result is that it will be hard to establish new social relationships. China's feudal concepts over the past several thousand years have held the merchant in low esteem, and this attitude has prevailed until after 1949. One of the reasons for this is that merchants depend on flattery to make money. Considered cunning and dishonest, how can they be depended on to keep a promise? Besides the dishonest aspect of commercial trading, there is also the untrustworthy aspect. But the whole course of growth and development in commodity exchange depends on trustworthiness, and not craftiness. Therefore, trustworthiness is the standard of conduct in commodity exchange.

The last moral requirement the commodity exchange society expects of each individual is the timely and predictable organization of one's own economic activities to meet one's needs. A member of society with a high degree of self-consciousness should be receptive to such economic organization that benefits the whole society, and ultimately, himself, though his own self interest may suffer a momentary loss. Theoretically, everyone recognizes that a society's economy undergoes reorganization regularly following discovery of new resources, depletion of old resources, invention of new tools and techniques, and changes in consumer habits. Conceivably, most people do not know such reorganization ultimately accompanies changes in the distribution of people's incomes. Some may be getting more income, or getting it more quickly, while others may be getting less, or getting it a little more slowly. However, the use of control in dealing with economic reorganization must necessarily hurt the whole economy. An economy's vitality is derived from its flexibility. Facts have shown that in dealing with economic problems, whenever government adopts an inflexible policy, and groups or individuals take a hardened attitude, economic growth is deterred. Such losses are assumed by the whole society, and the unlucky ones are not limited to those with rigid attitudes.

## EAST REGION

### Lu Rongjing on Political Structural Reform

40050201b Hefei ANHUI RIBAO in Chinese  
8 Feb 88 p 2

[Unattributed report: "In the 'Government's Work Report,' Lu Rongjing Demands an Effective Reform of the Political Structure, Properly Guided and in Orderly Manner"]

[Excerpts] In the "Government's Work Report," Lu Rongjing [4151 2837 2529] said that for a long time, the departments of the government had to cope with problems of overcentralization of powers and of serious bureaucratism. Now that the separation of party and government is gradually being accomplished, further changes will have to take place in the functions within the government system, powers have to be delegated to lower administrative levels, responsibilities of the government administration have to be separated from those of the enterprises, and a reform has to be instituted from top to bottom in the structure of the government. A work system has to be established that is to function perfectly, is to be rationally structured, with a clear division of labor, and that should consist of an appropriately limited number but highly trained, highly efficient functionaries. It is necessary to establish gradually a personnel management system in the state administration on the principles of emphasizing efficiency, encouraging competition, effecting democratic and public supervision, and also to institute a system of cadre management that is scientific and accords with the provisions of the law. Presently, we must strictly control the structural upgrading, employment of staff in excess of fixed establishments, raising persons to cadre positions in excess of permitted numbers, and must continue our efforts to perfect the system of personal responsibility of cadres at their particular posts, as well as the system of democratic assessment of everyone's proficiency for his post. He said, we must strive hard to open up a variety of democratic channels, lend an attentive ear to the voice of the people, respect the opinion of the people, afford more opportunities to the masses to participate in government affairs and to submit opinions to the government, and in a more effective way submit the work of the government to the supervision of the masses. We must open up more widely government affairs and activities, and must enhance the democratic and scientific nature of policy decisions. Governments at all levels shall consciously accept the supervision of people's delegates, people's congresses of all ranks, and of the standing committees of people's congresses, must earnestly carry out the resolutions and decisions of the people's congresses and their standing committees, institute and perfect a system of periodical work reports, and conscientiously and responsibly give consideration to draft proposals, criticisms, opinions, and suggestions submitted by people's delegates.

Lu Rongjing pointed out, that at this time, when we work hard at socialist democratic construction, we must also further strengthen the socialist legal system. We must exert great effort in drafting and formulating economic rules and regulations, as well as administrative regulations of a local nature, and actively experiment with local administrative legislation. The provincial people's government will in the future focus particular attention on an examination of how state laws, rules and regulations, as well as local rules and regulations are being implemented, and will submit prompt reports to the standing committees of the people's congress. We must exert great efforts on propaganda and education on the legal system and must continue the good work of spreading general knowledge of the law. We shall further strengthen the political power at the basic village levels and increasingly set up village committees, as we also advocate adopting township rules and people's covenants, as long as they conform to the demands of the socialist spiritual civilization, so that we shall gradually arrive at a state where the affairs of the masses are taken care of by the masses themselves according to law. We oppose all kinds of feudal and superstitious activities and are determined to put a stop to the gambling habit. We shall fight all hostile elements that intend to undermine the socialist system, punish economic criminals and all other criminals, and effectively accomplish all-round good government with good public security, establish excellent public order and a stable social environment, and guarantee the smooth progress of economic construction, of reform, and of opening up to the outside world. We shall promote construction of a socialist spiritual civilization, work on broadening education on communism and patriotism, as well as on an all-people's national defense education, and strive hard to enhance the morality of our entire society.

Lu Rongjing emphatically pointed out that we should be firmly determined to achieve our programmatic aim of serving the people wholeheartedly. We should not indulge in idle talk, but rather do more substantial work. We should resolutely change spiritual attitudes and bad styles of work, such as sticking to the old ways and remaining in a state of inertia, but should rather start out on the work ahead in a creative spirit. We should oppose every kind of bureaucratism, raise work efficiency, and effectively improve the workstyle in government organizations. We should be strict in investigating and punishing dereliction of duties and attitudes of irresponsibility that have caused accidents with serious losses, and investigate closely the responsibility of those in leading positions. Government organs at all levels should take the lead in opposing such evil customs as extravagance and waste, invitations to feasts and sending of presents; a thrifty and simple lifestyle is honorable, while luxury and extravagance are shameful.

### Successful Out-of-Court Mediation of Civil Disputes

40050198b Fuzhou FUJIAN RIBAO in Chinese  
65 Feb 88 p 2

[by reporter Guan Chunsheng [7070 2504 3932] and Correspondent Rao Shanghao [7437 1424 6275]]

[Excerpts] This correspondent learned at a press conference convened by the Department of Justice on 3 February that during the 8 years since 1980 mediation organizations in the province's various prefectures have mediated a total of more than 1.2 million civil disputes, 91 percent of them successfully. This included the prevention of 1,271 cases that might have become major criminal cases, and the avoidance of 8,910 instances that might have led to abnormal death or injury.

9432

### Contempt for Masses Seen, Criticized

40050201c Shanghai LIANHE SHIBAO in Chinese  
22 Jan 88 p 3

[Article by Yu Dan [5713 0030]: "Let History Give the Answer"]

[Excerpts] Of all the sentiments expressed during the past year, the one that affected me most deeply, and which I cannot get over, is the one evoked by an issue exemplified in the words "what do the masses amount to anyway."

There was a chairman of a county people's congress standing committee who raised a vicious dog to protect his house and home, which on many occasions bit neighbors and passers-by. When this reporter and epidemic prevention personnel called on him to acquaint him with the opinion of the masses, he asked in return: "Masses? What do the masses amount to anyway?" That is really ingenious!

When Shanghai was liberated on 25 May 1949, a huge army entered the city late at night, and the soldiers slept in the open on the streets. Early in the morning, when an old intellectual opened his door and saw this situation, he said only: "There is no way that the KMT can come back." By now, if the same old intellectual would see how some of the communist cadres show contempt for the masses, what would he think? I guess he would think: "No matter what, the KMT cannot come back. But there is a chance that the KMT's ways of thinking and their workstyle can indeed come back."

9808

### Anhui People's Procuratorate Work Report

40050201a Hefei ANHUI RIBAO in Chinese  
8 Feb 88 p 2

["Summary" of speech by Feng Jianhua [7458 1696 5478], chief procurator of the Anhui People's Procuratorate: "Report on the Work of the Anhui People's Procuratorate; submitted to the First Session of the Seventh Anhui Provincial People's Congress on 31 January 1988 (Summary)"]

[Excerpts]

#### 1. Rigorous Suppression of Serious Criminal Activities, Working to Create a Stable Social Environment for Reform, Opening Up to the Outside World, and for Economic Construction

Around the time of the First Session of the Sixth Provincial People's Congress, public security in Anhui Province was for a time in an abnormal condition; holdups, rapes, murders, banditry, and similar crimes were rampant. However, since August 1983, the people's procuratorates at all levels throughout Anhui Province, in accordance with the resolution of the Central Committee and the NPC Standing Committee, and under the unified guidance of the provincial party committee and the party secretaries at all levels, also in close cooperation with the security organs and law courts, have entered on an energetic struggle to rigorously suppress all criminal activities, and have brought to justice many criminals, acting according to law and with severity and great speed, thereby bringing about a fundamental turn for the better in the abnormal condition of public security. On the basis of an accurate analysis of the public security situation, procuratorial organs continued during 1987 to follow the policy of "waging rigorous battle against crime." Punishment was meted out according to law, with severity and great speed, against serious criminal elements, such as murderers, arsonists, criminals using explosives, poisoners, robbers, rapists, leaders of bands of hooligans, slave traders, prostitutes and procurers, large-scale thieves, large gangs of roaming bandits, counterrevolutionary elements, enemy agents and spies, and heads of reactionary societies and cults. These actions have consolidated and enhanced the successes achieved under the call to do "rigorous battle against crime."

#### 2. Rigorous Prosecution of Serious Criminal Economic Activities, Protecting and Supporting the Smooth Progress of Reform, Opening Up to the Outside World, and Economic Construction

During the year, provincial procuratorates at all levels investigated a total of 846 cases of economic crimes, and instituted prosecution in 406 cases, in which 490 people were involved, and in which 8,270,000 yuan of economic losses by the state and by collectives were retrieved. In the course of investigating and prosecuting these economic criminals, procuratorial organs at all levels paid special attention to the most conspicuous of these cases, and concentrated all resources on merciless prosecution

of large and important cases. During the year, 185 large and important cases were brought to justice. Under the powerful impact of the call to do "rigorous battle against economic crime," and under the influence of the party's policy, some economic criminals have come forward on their own initiative and confessed, which had their cases treated with leniency.

### **3. Stern Investigation and Prosecution of Violations of Law and Discipline, Protecting the Interests of State and Collectives and the Legitimate Interests of Citizens**

During 1987, our provincial procuratorates dealt with a total of 1,376 cases of violations of law and discipline; 403 cases were placed on file for further investigation, in 220 cases, involving 304 persons, it was decided to prosecute, and in 123 cases, involving 186 persons, it was decided to abstain from prosecuting. Looking at all cases of law and discipline violations taken on by the procuratorial organs, we have observed: First, the most conspicuous cases were serious infringements of the citizens' democratic rights and human rights, such as illegal incarcerations by basic-level cadres, extorting confessions by torture, and illegal searches. Second, there were cases of dereliction of duties by a small number of state personnel who thereby caused serious property losses to the state and losses of lives and property among the people. Third, there were accidents for which someone bore a great measure of responsibility, and which caused heavy casualties and huge economic losses. The main culprits in law and discipline violations were state personnel, sometimes even leading cadres. Investigation of these cases frequently met with much interference and strong resistance, and were, therefore, difficult to carry through. Procuratorial organs at all levels pressed on in the face of all difficulties, removed the interference and obstacles, and pursued these cases to the very end. Their efforts were particularly concentrated on the investigation and appropriate conclusion of the many large and important cases.

During 1987, the procuratorates of the province dealt with 30,506 cases (times) of accusations and appeals from citizens by letters or presented in person. Among these cases of accusations and appeals, those of which the facts were comparatively evident and that concerned important and large issues were earnestly investigated and dealt with. Furthermore, comprehensive reviews were instituted in old historical cases that had been handled before the reconstituting of the country.

### **4. Intensifying Supervision of Prisons, Spurring on Enlightened Management, and Enhancing Reform Measures**

The provincial procuratorates at all levels have earnestly fulfilled their responsibility of supervising prisons, and have had personnel stationed at the prisons to investigate conditions, so that the investigations gradually achieved a state of normalization and institutionalization. As points of particular emphasis, the procuratorates at all levels intensively investigated whether the

activities were in accordance with law in those localities where reform of prison management had taken place. The procuratorates at all levels also conscientiously investigated and took action in cases of recidivism of prisoners, of those undergoing reform through labor, and of personnel undergoing education through labor, and promptly took stern action against prison directors who acted as tyrants, so as to protect orderly progress in the reform of prison management.

9808

### **Work Report of Anhui People's Higher Court 40050195b Nanjing ANHUI RIBAO in Chinese 8 Feb 88 p 2**

["Summary" of speech by Wang Chengle [3769 2052 2867], president of Anhui People's Higher Court, given at the first session of the Seventh Anhui Provincial People's Congress on 31 January 1988: "Work Report of Anhui People's Higher Court (Summary)"]

[Excerpts] The following is a report on the main facets of our work during 1987:

#### **1. On Criminal Adjudication**

The year 1987 was the first year after the "strict punishment" battle against crime, and the provincial people's courts at all levels continued to implement unswervingly the policy of handling criminal cases according to law with severity and speed, and of cracking down severely on all serious criminal activities. A total of 10,419 criminal cases were dealt with, and 10,673 persons were sentenced throughout the year. Among these, 4,400 criminals, or 41.22 percent of the total, belonged to the "seven categories" which seriously endanger public security. A few who had committed most heinous crimes were sentenced to death. At the same time, the services of the law courts were enlisted for such particular struggles, as in efforts to straighten out the markets, in the prohibition of obscene articles, in the suppression of prostitution, and in the prohibition of gambling. Severe sentences were imposed according to law on criminals in cases of prostitution, gambling, spreading of obscene tapes and books, illegal sales of cultural relics, manufacture and sale of spurious inferior articles, and in cases of tax evasion and refusal to pay tax.

Although the state of public security throughout the province has taken a distinct turn for the better, conditions are not yet sufficiently stabilized. Cases of serious crimes, such as murder, robbery, and rape, still occur occasionally.

In 1987, a total of 1,800 persons were sentenced for various economic crimes in the various courts of the province. Among these, 4 notorious thieves were sentenced to death. Moreover, wide publicity was given to the way the cases were handled by publicizing sentences.

## 2. On the Adjudication of Civil and Economic Cases

In 1987, a total of 39,089 civil cases were adjudicated by the provincial law courts at all levels, an increase of 79.8 percent compared to the 21,745 cases in 1983. Not only did the number of civil cases increase year by year, but changes also occurred in the nature of the various cases. Some new types of cases came up, such as disputes over such rights and interests as infringements of copyright, injury to reputation, or to one's right to one's own image and to one's name.

In the course of the year, the provincial people's courts at all levels experienced large increases in the work of adjudicating economic cases. In 1987, the provincial courts at all levels adjudicated 6,869 cases of economic disputes of various kinds, while the value of objects involved in these cases amounted to a total of 266,450,000 yuan.

As directed by the Supreme People's Court, Anhui provincial courts started at the end of 1986 to make preparations for the adjudication of administrative cases. By now, the provincial courts, and courts at the intermediary and some at the basic levels, have set up administrative tribunals. Where this has not yet been done, preparatory groups have been set up, which started, on a trial basis, to handle some administration cases concerning public security. By the end of 1987, a total of 130 appeals have been heard before the courts of the province against penalties imposed in cases concerning public security by the security agencies, as well as another 89 administrative cases of different nature.

## 3. Handling Appeals by Letter or Submitted in Person

During the year, the provincial courts at all levels handled actions instituted by personal appearance at court in the case of 158,707 persons (times) and handled cases instituted by letters in 128,164 cases (times), adjudicated appeals and second appeals in 31,179 cases, of which 30,945 were criminal cases, 216 civil cases, and 18 economic cases. The work involved in the appeals and reviews was carried out in accordance with the directives of the Central Committee and orders of the Supreme Court, and consisted mainly of comprehensive reviews of united front related cases, and cases of counterrevolutionary activities adjudicated before the "cultural revolution," as well as of other cases of political nature. By means of these reviews, adjustments were made and party policy implemented, according to the principle of not pursuing past misdeeds, in 750 cases where, in the early days of the PRC and during the repeated political campaigns, personnel who had revolted and come over to our side had by erroneous decisions been declared counterrevolutionaries, and effective measures were, furthermore, taken together with relevant departments to make restitutions in these cases.

## Jiangsu People's Procuratorial Work Report 40050195a Nanjing XINHUA RIBAO in Chinese 7 Feb 88 p 2

["Summary" of speech by Qin Jie [4440 2638], chief procurator, Jiangsu People's Procuratorate, to the first session of the Seventh Jiangsu Provincial People's Congress on 28 January, 1988: "Work Report of the Jiangsu Provincial People's Procuratorate" (Summary)]

[Excerpts] Delegates! In the following I shall report to you on the main facets of work performed during the year by all procuratorial organs of our province:

### 1. Continued Combat, According to Law, Against Criminal Activities, Firm Guarantees for the Maintenance of a Stable Public Security

Last year, approval was given for the arrest of 12,486 criminal suspects, and 12,313 persons were prosecuted.

In the process of dealing with cases, all provincial procuratorates gave careful attention to utilizing the successful experiences of the "stern suppression" struggle. They continued action according to the policy of punishing according to law "with severity and great speed." In major current cases, such as murder, robbery, or crimes committed with explosives, they persistently moved such activities as investigations and authorizations of arrests to the earlier investigative stage undertaken by the public security organs, and advanced investigation and prosecution to the stage of preparatory investigations by the public security organs, which all helped to accelerate procedures in these cases.

To arrive at an effective way of punishing criminals and of protecting the innocent from criminal prosecution, all provincial procuratorates stepped up supervision of ongoing investigations and adjudications. They promptly took corrective action against illegal acts, and firmly persisted that all cases be handled strictly according to law, so as to uphold the dignity of law. Last year, all provincial procuratorates hunted down 139 suspected criminals, and brought 82 to justice. Arrests were not approved in the case of 1,596 persons, and in the case of 64 persons the procuratorates decided not to institute criminal procedures. In 214 cases (times) they submitted opinions, in writing or verbally, to public security organs or law courts, demanding rectification of law violations. In 14 cases appeals were filed according to law for reasons of inaccurate determination of the nature of offences in question or because of inappropriateness of penalties imposed. Simultaneously, we intensified supervision of adjudication of criminal cases, and of the way court orders were executed, also the supervision of prisons and detention houses, and supervision of the conduct of agencies in charge of reform through labor and education through labor. On the one hand, we adopted firm measures to prevent recidivism, and on the other hand paid careful attention, and had rectified, cases of detentions beyond legal limits, or incidents of

illegal acts, such as the misuse of restraining devices, corporal punishment, or maltreatment, so as to safeguard reform of procedural order in places of incarceration or detention.

Although the continuous upward trend of major cases has come to an end, serious violent crimes are still committed occasionally, and in some places prostitution, gambling, and other such social evils are rampant. With progressing reforms and opening up to the outside world, social security is faced with new challenges and tests, contradictions of various kinds will increase, and there may be an increase in the destabilizing factors that lead to criminality.

## **2. Energetic Investigation and Punishment of Economic Crimes, Ensuring Smooth Progress of Reform and Opening-up to the Outside World**

A total of 1,422 cases of economic crimes were investigated throughout the province, and economic losses on the part of the state amounting to 11,459,900 yuan were recovered. In conducting this work, we gave precedent to the investigation and punishment of major and important crimes, concentrating time and energy primarily on handling cases that were most threatening, and which resulted in serious consequences, in this manner pursuing the fight against crime in greater depth. Last year, 114 major and important cases of this nature were taken under investigation.

Criminal activities of an economic nature were frequently characterized by the particularities of the trades or localities in question. To properly cope with these peculiarities, all provincial procuratorates not only effectively fought crime over the whole area, but also took into account the realities of the particular localities involved, starting out by first investigating and studying selectively certain particularly problematic systems or localities. Together with the particular agencies in charge, they studied how to deal with these cases, and then jointly launched struggle against economic crimes, combining administrative measures with the punishment of law violations, discipline violations, and of criminal acts, thus resolving the various problems system by system and area by area.

Last year, cases of economic crimes taken under investigation declined by 35.33 percent throughout the province, notwithstanding the fact that economic crimes are still with us to a serious degree. Criminals in this area are becoming more cunning, and the amounts of money involved are becoming larger. Conspicuous among these crimes are graft, bribery, tax evasion, refusal to pay tax, "falsifications, passing off false for genuine, and fraud." In certain sectors and areas, the conscience of the people has not been awakened, or not sufficiently awakened, and reports are received that many problems exist in the organizations concerned with foreign trade, construction, and materials administration, but that only a few cases have so far been exposed.

## **3. Serious Start of Procuratorial Work Concerned With Law and Discipline Violations, Protection of State Interests and of the Legitimate Interests of the Citizenry**

A total of 1,869 cases of violations of law and discipline were taken under investigation throughout the province, 448 of these cases were placed on record for further investigation, when penalties were eventually imposed. To cope with the fact that a small group of state employees lack a sufficiently meaningful concept of the legal system, that their workstyle is deplorably bureaucratic, and that they show little sense of responsibility in their work, and do not care about the lives of people and about state property, so that they are causes of shipwrecks, train wrecks, explosions in factories, and other disasters, we have ruthlessly prosecuted this type of people as cases of dereliction of duties and cases of accidents for which someone bears a heavy measure of responsibility. In the course of the year, a total of 236 cases falling under these two categories have been placed on record for investigation throughout the province, accounting for 52.68 percent of all cases of violations of law and discipline. These cases have caused staggering losses, and their consequences are very serious. In the 233 cases that have so far been concluded, direct economic losses amounted to 8,816,500 yuan and involved a deaths of 308 persons.

To protect the legitimate rights and interests of citizens, all provincial procuratorates have, furthermore, intensified their efforts in dealing with cases of accusations and appeals by citizens. A total of 28,397 letters were received during the year, and 8,631 petitioners were received in person. Moreover, we also comprehensively reviewed cases from the time prior to the "cultural revolution," when procurators had decided to preclude certain parties from filing suits or had made other inappropriate decisions. A total of 1,478 such cases, accounting for 30.1 percent of the overall total, have been rectified by reversing previous verdicts.

Although much work was done by procuratorates to protect the state's interests and the democratic rights of citizens, and certain successes have indeed been achieved, cases still occur now and then of infringement of the citizens' democratic rights and human rights, also cases of serious bureaucratism and dereliction of duties on the part of state cadres, cases that cause heavy losses to the interests of the state and of the people.

## **4. Increasing the Work Force, Improving Political and Professional Quality of Procuratorial Cadres and Police Personnel**

In order to improve the level of general education and knowledge, as well as the professional quality of cadres and police personnel, all provincial procuratorates have continuously encouraged cadres and police personnel to enroll in courses of television universities, sparetime universities, and correspondence universities, or asked universities to train such personnel on behalf of the

procuratorates, with priority emphasis being placed on guidance and study of topics of adult higher education, self-study, and examinations, measures which have all resulted in great progress in cadre training. Last year, a total of 2,157 procuratorial cadres and police personnel participated in self-studies, and 112 cadres and police personnel were released from work to be sent to institutions of higher learning.

Delegates! Five years have already passed since the first session of the Sixth NPC. Reviewing procuratorial work during these 5 years, we see that we have pursued with particular emphasis the following three facets of our work:

1. Relentless pursuit of the "twofold" battle, overall accomplishment of the various procuratorial tasks. In 1983, criminal activities were rampant, and public security was in an abnormal condition. In the latter half of 1984 and the first half of 1985, some lawless elements took advantage of the reform and opening up to the outside world to engage in unbridled criminal economic activities; commission of these two types of crimes reached a high point. In order to stop the crime wave and to crack down on lawless elements who sabotaged the economy and jeopardized society, also to ensure smooth progress in economic construction, the provincial procuratorates at all levels throughout these 5 years energetically implemented all relevant resolutions of the NPC Standing Committee and unswervingly and without relaxing, persisted in the "twofold" battle. This brought about a change for the better in the abnormal state of public security and checked the upward trend of rampant criminal economic activities. With our focus on the "twofold" battle, we also energetically launched procuratorial work concerning law and discipline affairs, concerning prisons, and concerning accusations and appeals, resulting in excellent progress in all facets of procuratorial tasks. As part of the procuratorial work in law and discipline affairs, we took on the investigation and prosecution of 16 types of law and discipline cases. This action on our part has had a major impact on combating infringements by state personnel of the democratic rights of citizens, and also on combating dereliction of duties. Law and discipline violations handled during these 5 years were almost double the cases handled in the preceding 5 years. Procuratorial work in prison administration has initially paved the way for new developments by getting this work onto a more standardized and institutionalized track. In responses to accusations and appeals, procuratorates firmly maintained the principle of taking appropriate action in all these cases. Attention was primarily given to those cases which had been left undecided for long periods of time, and cases of which nobody had taken notice. These activities were true efforts to dispel anxieties among the masses and to resolve difficulties; the departments concerned on many occasions praised the work done in this respect.

2. Consciously Accepting Supervision by People's Governments at All Levels. During the last 5 years, the provincial procuratorates at all levels have on their own

initiative reported on their work to the people's governments at all levels and consciously submitted to their supervision, a fact that contributed to ever greater improvements in procuratorial work throughout the province. In addition to submitting once a year a comprehensive work report to the people's congress, we are also reporting at appropriate times, whenever there are developments in particular facets of procuratorial work, to the standing committee of the people's congress. Noting the opinions of the people's delegates, elicited by our reports, and in accordance with resolutions of the people's congress and its standing committee, we always study what better concrete measures could be taken in procuratorial work, to ensure correct implementation of constitution and law. Besides, many procurators go far out into the countryside, to towns and townships, inviting people's delegates of the areas in question to join symposia, when the procurators would solicit opinions and suggestions as to how further to improve and strengthen procuratorial work, a method which gained excellent results.

3. Continuous Strengthening of the Procuratorial Structure Itself. The provincial procuratorates at all levels worked on the principle of carrying out tasks and at the same time building up the procuratorial structure. At the same time as they performed all aspects of procuratorial functions, they worked unremittingly at building up the structure of the procuratorial system. They gradually expanded the procuratorial work force, improved the political and professional quality of cadres and police personnel, perfected the various professional organizations, and worked out and perfected the entire set of rules, regulations, and work procedures. They broadened the content of various tasks, and continuously improved the quality of handling cases. At present there are 6,785 procuratorial cadres and police personnel throughout the province, an increase of 28.45 percent compared with 5 years ago, and 15.73 percent of them have had college and university education, which is 9.24 percent more than what it was 5 years ago.

A deficiency in our performance during the past 5 years is felt to be the internal development of the procuratorial organs, where little progress has been made, if we compare it with the demands posed by the development of the socialist legal system. Generally speaking, the quality of work done by the many cadres and police personnel has improved, but it is still far from ideal. Ideology and workstyle are not yet sufficiently firmly established, and there are even more problems in the area of their material conditions. This manifests itself conspicuously in the backwardness of material equipment, insufficient working funds for handling cases, severe shortage of office space, etc. To a certain degree, these conditions adversely affect progress in procuratorial work. Looking back at the actual performance during the 5 years of procuratorial work, we realize that the current procuratorial system of China is beset with many problems, and further reforms and improvements are necessary. For instance, leadership relations are not yet fully rational



and smooth, spheres of jurisdictions are not defined with sufficient clarity, legal supervision lacks the necessary methods and specific procedures, the internal structure is not altogether rational, the organizational system has not been adequately perfected, etc.

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**Jiangsu People's Higher Court Work Report**  
40050198a Nanjing XINHUA RIBAO in Chinese  
7 Feb 88 p 2

["Summary" of speech by Zhu Ze [2612 3419], chief justice, Jiangsu Provincial Higher People's Court: "Jiangsu Provincial Higher People's Court Work Report to the First Session of the 7th Jiangsu Provincial People's Congress on 28 January 1988 (Summary)"]

[Excerpts] Delegates:

I will make a report on the work of people's courts since the Fifth session of the Sixth Jiangsu Provincial People's Congress, and relate it to work during the 5-year period of the Sixth Provincial People's Congress.

**1. Criminal Trial Work**

During 1987, people's courts at all levels throughout the province continued to maintain "two attacks," severely and speedily punishing according to law criminals guilty of serious crimes and active counterrevolutionaries, and severely punishing according to law criminals guilty of serious economic crimes. A total of 13,118 criminal cases were tried and 13,312 verdicts handed down including sentencing of criminals involved in seven serious kinds of crime including murder, robbery, and rape, which accounted for 32.2 percent of the total number of verdicts, and the sentencing of economic criminals accounting for 24.4 percent. Of the convictions, 3,827 people were sentenced to imprisonment for 5 years or more, to life imprisonment, or to death in 31.7 percent of the total number of cases. Sentencing to less than 5 years imprisonment, forced labor service for no more than 60 days, detention, and dismissal of criminal charges occurred in 67.9 percent of cases. A not-guilty verdict was rendered in 0.4 percent of cases. Of the criminals sentenced to imprisonment for 10 years or more, or to death, 94 percent were guilty of having committed one of the seven serious kinds of crime or had committed serious economic crimes.

The number of cases concluded within the time limit set by law was 96.8 percent. In 80.4 percent of cases heard for the second time (appeals), the original verdict was sustained. Cases returned by higher courts for retrial because of uncertainty regarding the facts or insufficient evidence totaled 6.3 percent, and verdicts were changed in 9 percent of cases for further improvement in case quality.

During 1987, the province's social order situation improved further, the number of cases tried by the courts and the number of criminals prosecuted fell by 19.8 and 19.7 percent respectively from 1986. Public security statistics show a marked decline in the incidence of criminal cases throughout the province, stabilizing at approximately 4 per 10,000 population during the past several years. The number of cases and offenders sentenced for economic crimes throughout the province during 1987 was 38.6 and 40.7 percent fewer respectively than for 1986. There has been a decrease in the amount of economic criminal activity.

By way of insuring that criminal trials play a role in "protecting the people, attacking enemies, punishing criminals, and serving the four modernizations," courts at all levels adhered to the following principles and methods of operation:

1. They continued to focus attacks on criminal elements who perpetrate seven kinds of crimes. Before the "serious attacks" began, criminal gangs, two kinds of holdups, and stabbings, rape, and the abduction and sale of women were extremely prominent criminal activities that seriously damaged social order and the safety of citizens' persons. During the "serious attack" struggle, devastating attacks were carried out against criminal gangs, thereby increasing the sense of security of the mass of the people. Today, as soon as criminal gangs or any other serious criminal activity are spotted, we continue to carry out ferocious attacks against them in accordance with law, both severely and speedily. In view of local public order situations, during 1987, people's courts at all levels actively coordinated with authorities concerned to carry out attacks against criminal activities such as hooliganism and robberies, delivering powerful blows against serious criminal offenses.

2. Adherence to a policy of severity and speed in accordance with law, while at the same time being really "certain" to insure quality in the handling of cases.

3. Diligent implementation of a policy that combines leniency with toughness, resolutely meting out harsh sentences according to law to criminals who deserve to be punished severely, showing no softness toward them, but handling with leniency according to law circumstances where light sentences and leniency are called for.

4. Strict implementation of the trial system prescribed by law. Public open court trials were given in 97 percent of cases in which an open trial should have been conducted. The avoidance, plea, collegiate and appeal systems were conscientiously practiced to protect the defendants' legitimate rights to take legal action. Attention was given to linking the punishment of crimes to publicizing the legal system, both to frighten criminals and to educate the public at large for an enlargement of benefits from the trying of cases.



Reform of China's economic system and the policy of opening to the outside world are presently scoring new achievements one after another, and the political and economic situations are both very good. Nevertheless, contamination and corrosion by decadent bourgeois ideology, as well as a temporary slackening of ideological and political work have brought about some new complex problems for the social atmosphere and for social order. This has served both to contain the growth of factors that cause crime while also bringing about an increase in factors that cause crime. There has been a decline in the overall number of criminal cases; however, murders, theft, and larceny cases remain very prominent. The degree of improvement in social order is also uneven. The social order situation remains poor in some large and medium size cities, in cities and towns, and along main transportation corridors. There have been repeat cases of serious misdeeds. Between January and October 1987, 547 major cases occurred in Nanjing. In Xuzhou City, the number of cases of robbery, snatching, cheating, and stabbing increased 1.4-fold over the same period in 1986. Crimes against property such as theft and swindles have increased markedly. Despite a decline in the number of cases of economic crimes, criminal activities including corruption, bribe taking, speculation and profiteering continue unabated. The sums involved have become larger and larger, and the methods used have become increasingly cunning. The total sums involved in economic crimes during 1987 were 15 percent higher than in 1986. Not long ago, a mid-level people's court in Changzhou City tried an exceptionally large corruption case in which criminal Jiang Zhengguo [5592 2973 0948] had kept false accounts, embezzling 1.29 million yuan renminbi (1.02 million yuan of which has yet to be recovered). Clearly, the struggle against criminal activity that seriously damages social order and seriously injures the economy remains a longterm and daunting task.

#### Civil, Economic, and Administrative Trial Work

During 1987, courts at all levels in the province tried a total of 57,495 civil cases, 18,370 economic dispute cases, 31.2 and 33.6 percent more respectively than in 1986. The amount of money involved in economic dispute law suits that were resolved was 478,100,600 yuan, which was also a 33.1 percent increase over 1986. Grassroots level people's courts and their tribunals also mediated a large number of simple disputes.

As reform of the economic system gets underway and there is further implementation of the policy of opening to the outside world, the civil trial and economic trial work of people's courts will become greater and greater. There will be a great increase in civil cases and in cases involving economic contract disputes and other kinds of economic disputes. A "three many" situation has occurred since 1983 in civil and economic dispute cases, namely many cases received, many cases concluded, and many cases pending. The number of first trial civil cases has increased by an average 20 percent annually, and

there has been an even greater rise in the number of economic dispute cases, which have averaged a 95 percent increase annually. The nature of civil and economic dispute cases has also changed markedly. Disputes over land, water conservancy, mountain forests and farm implements, which are closely related to production, have increased in recent years. There has also been a tremendous rise in disputes about property rights, particularly about debts, inheritance, indemnification, and housing disputes. Following institution of the "Civil Law Regulations," numerous new kinds of cases appeared, and difficulties in trying cases increased.

Administrative trial work is a new judicial task that people's courts have just begun. During 1987, courts throughout the province heard 460 administrative cases of various kinds involving public order, tax matters, environmental protection, industry and commerce, land administration, food sanitation, control of pharmaceuticals, and weights and measures.

#### Letters of Appeal and Personal Inquiries

The task of reexamining appeals and implementing policies by courts at all levels has been consistently very arduous. All categories of appeals heard by the province's courts during 1987 numbered 16,140. A total of 12,309 cases were settled (including initiated reexaminations) 11,642 of them criminal appeals and 633 of them civil appeals, a 17 and 8 percent rise over the same period in 1986. A total of 192,685 letters from the people were processed, and 194,126 personal inquiries were handled. The number of letters and personal inquiries also rose 2.6 and 3.4 percent respectively. From 1983 through the end of October 1986, the reexamination and processing of cases and the implementation of policies regarding united front subjects was substantially completed, a total of 791,072 investigative files having been examined, and 3,308 case put on file for reexamination. In 58.8 percent of cases, verdicts were changed following reexamination. Between August 1986 and the end of July 1987, courts at all levels revised, in accordance with law, a number of mistaken verdicts in counterrevolutionary cases and cases of a political nature that had been made under influence of "leftist" ideology before and during the "Cultural Revolution." Cases put on file for reexamination numbered 8,193, and 7,156 cases, or 87.3 percent of the total number, were concluded. Of the number concluded, the original verdict was sustained in 54.5 percent, and a change in verdict or other disposition made in 45.5 percent. Among the cases in which the verdict was changed, 61.4 percent were found innocent.

A gradual rise in appeals has taken place in cases stemming from the "serious attack" program. From 1984 through the end of 1987, courts at all level throughout the province concluded a total of 4,951 cases. As a result of individual investigations, mistaken judgments were corrected through the seeking of truth in facts. Quite a few people now believe that the winds of "serious attack" have blown themselves out, and that

now is the time for reexamination. As a result they have appealed for reexamination and a change of verdicts. The families of some criminals have banded together to make court appeals and to put pressure on the courts. Still others have threatened or offered enticements to victims in an effort to get them to change their testimony.

In 1987, administrative tribunals and suit and appeal courts were being set up in an expansion of the judiciary, and for better handling of the professional training of cadres and police. In 1985, the Supreme People's Court began to operate after-hours legal colleges as part of the national court system. From Jiangsu Province, a total of 2,272 cadres and police entered such colleges in 3 groups, and by October 1988, 1,400 students will have graduated. In 1986, the provincial courts had rotationally trained in separate groups nearly 500 people's court judges. In 1987, they also ran a study class for newly appointed grassroots level court judges, and 4 training classes for cadres responsible for appeals, correspondence, and personal inquiries, training 414 people. Heartening changes have taken place in the political and professional quality of the province's court personnel as compared with 5 years ago. The number of cadres and police has increased almost 40 percent; and the age structure has become younger, 46.5 percent of cadres being less than 35 years old, a 13.3 percent increase. The educational level has risen gradually, college and senior middle school graduates rising 5.3 and 23.8 percent respectively, and the number who have studied law rising 3.3 percent.

Numerous cadres have refused to accept money or gifts from parties to lawsuits. Incomplete statistics from law courts in Zhenjiang, Wuxi and Huaiyin cities show that cadres and police refused more than 300 gifts and bribes during 1987. Gifts refused included cash, electrical appliances, high quality clothing material, premium cigarettes and liquor, tonics, and agricultural byproducts, etc. A fine court atmosphere has been established everywhere.

Thanks to the vigorous support of the CPC Committee, the People's Congress and the government, court facilities and working conditions have been gradually improved. This has played a fine role in insuring smooth performance of trial work. The great shortage of vehicles for official court use has been ameliorated, and the situation of "justices being without courtrooms" is gradually changing. Nevertheless, working conditions in some courts are still very difficult, and there is a severe shortage of funds for handling cases. Consequently, increased building of the court system in every way and improvement of material conditions remains a serious task.

Our work remains unable to keep pace with the burgeoning development of the four modernizations, the pervasive reforms, and the opening to the outside world; quite a few shortcomings and problems remain. In some

courts, cadres and police are still insufficiently familiar with the operation of the law, and the quality of handling of some cases has not been high. About 3 percent of cases exceed the time limitations for settlement. In some cases involving interference, the courts have not dared to try and issue prompt verdicts courageously in accordance with law. Courts have not acted quickly to take the lead with regard to certain new circumstances and new problems. Further improvements are awaited in professional guidance and trial supervision.

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## NORTH REGION

### Chen Yun's Son Loses Reelection Bid

40050138 Hong Kong CHAO LIU [TIDE] in Chinese  
No 11, 15 Jan 88 p 16

[Article by Xie Cheng [6200 6134]: "Chen Yun's Son Lost and Xu Weicheng [1776 1919 6134] Won by a Narrow Margin Through Plurality Vote in the Election of the Beijing Municipal CPC Committee"]

[Text] The Beijing Municipal CPC Committee held a reelection on 17 December. Chen Yuan, son of Chen Yun who is a founding member of the CPC, lost by plurality vote and his original position as a standing committee member of the Beijing Municipal CPC Committee was automatically taken away.

In this election, Xu Weicheng, who is in charge of cultural and educational propaganda, won the fewest votes and finished last among the 50 new members of the Beijing Municipal CPC Committee. Had it not been for those "mobilization votes" which he gained due to the arrangement made by the CPC to let him continue his position as deputy secretary of the Beijing Municipal CPC Committee, Xu Weicheng would have been eliminated in the election of limited "democracy" like Chen Yuan.

Xu Weicheng used to be a cadre of the Communist Youth League under Hu Yaobang. Before the "Cultural Revolution," secretaries of the CYL Central Committee under Hu Yaobang were Hu Keshi [5170 0344 1395], Wang Wei [3769 0251], Yang Haibo [2799 3189 3134], Zhang Chao [1728 6389], Wang Zhaohua [3769 3564 5478], Lu Jindong [6424 6855 2767], Wang Daoyi [3769 6670 5030], and Hui Shuchang [1920 1659 2490]; and alternate secretaries were Zhang Dehua [1728 1795 5478], Li Shuzheng [2621 3219 6927], Xu Weicheng, and Hu Qili [5170 0796 4539]. Between 1978 and 1986, all CYL cadres under Hu Yaobang were placed in important positions and they all followed Hu Yaobang's line of reform, but Xu Weicheng was an exception. Only in recent years did he start working in the Beijing Municipal CPC Committee. In the early 1980's he worked as the head of the "BEIJING RIBAO." Later he was promoted to the director of the Propaganda Department of the Beijing Municipal CPC Committee. In

recent years he worked as deputy secretary of the Beijing Municipal CPC Committee in charge of political propaganda, ideological control, and cultural education in Beijing Municipality. He is close to those ideologically ossified party cadres such as Deng Liqun [6772 0550 5028], He Jingzhi [6320 2417 0037], and Wang Renzhi [3769 1804 0037]. Deng Liqun has always been the secretary of the Secretariat of the CPC Central Committee and once worked as the director of Propaganda Department. He Jingzhi is deputy director of the Propaganda Department of the CPC Central Committee. Wang Renzhi used to be deputy chief editor of HONGQI and is now the director of the Propaganda Department of the CPC Central Committee (replacing reformist Zhu Houze [2612 0624 3419]).

In early 1987, the Communist Party of China launched an "anti-rightist" movement in the name of "criticizing liberalization." Under the command of Hu Qiaomu [5170 0829 2606] and Deng Liqun, Xu Weicheng used BEIJING RIBAO to criticize and denounce liberal and democratic thinkings and caused angry protesting students to burn BEIJING RIBAO.

Xu Weicheng, who is almost 60 years old, has ossified thinking. He received the fewest votes in the recent election of the Beijing Municipal CPC Committee, indicating that he is not very welcome in the Communist Party of China. However, since the reformists of the CPC have no intention of loosening ideological control in spite of the fact that they will soon go all out to push the economic reform, Xu Weicheng still could continue his position as deputy secretary of the Beijing Municipal CPC Committee.

Chen Yuan's loss of the election may have something to do with the economy. In recent years, prices have skyrocketed in Beijing, articles of everyday use have been in short supply, and pork and eggs have resumed rationing. In the first 10 months of 1987, retail prices went up by 8.8 percent and citizens of Beijing were very unhappy about it.

Chen Yuan was a standing committee member of the Beijing Municipal CPC Committee in charge of economy. The fact that many problems exist in the economic life of Beijing Municipality has caused him a political crisis in mainland China.

Since he failed to even make it into the circle of 50 members, there is a great possibility that Chen Yuan might be transferred out of Beijing Municipality. Chen Haosu [7115 8504 5685], son of another high-ranking official Chen Yi [7115 3015], was transferred out of Beijing a few months ago. He used to be deputy mayor of Beijing and is now Vice Minister of Radio and Television under the State Council. His work in Beijing has also caused some criticism.

Chen Yuan and Chen Haosu both support economic structural reform and both are about 45 years old.

Chen Yuan's main interest is in the research of economic operation, not economic administration. In recent years he was in charge of the research of "tight operation" in Beijing which was the "main project" for the research of social sciences in 1987. The Beijing Municipal Committee for Structural Reform and the Beijing Municipal Youth Society of Economy were responsible for the project and Dong Fureng [5516 6534 4356], economist of the Institute of Social Sciences, and Li Yining [2980 0110 1337], professor of the Beijing University, were advisers.

"Tight Operation" means that economic operation is in a "tight situation." The goals of economic operation in mainland China are "tight," meaning that targets are set very high. The balance between general supply and demand is tight too, resulting in the shortage of market supply and funds and imbalance in the distribution of economic resources.

Chen Yuan took on this research because he wanted to find a way to balance supply and demand and alleviate the tension of economic operation and shortage of market supply.

#### **Chen Yuan's Younger Sister Teaches Middle School in Beijing**

Under the special privilege system, most high-ranking officials of mainland China used the network of personal relations to send their children abroad to seek advanced study or stay in the United States, Canada, or Japan in the name of studying. But, Chen Yun did not do so.

Chen Yun and Yu Ruomu [0060 5387 2606] have a daughter in addition to Chen Yuan. Her name is Chen Weihua [7115 0251 5478] and her childhood name is Nannan [0589 0589]. She is 39 years old, a few years younger than Chen Yuan.

Before the "Cultural Revolution," Chen Weihua graduated from a middle school which many sons and daughters of high-ranking officials attended. During the "Cultural Revolution," she taught at a middle school attached to a commune in Huairou County in a Suburb of Beijing. At that time, due to his loss of political power and influence, Chen Yun became an ordinary member of the CPC Central Committee from a standing committee member of the Political Bureau. Because of this, Chen Weihua had no way of going to a better school.

In 1978, Chen Weihua, at the age of 30, was admitted to the Department of History at the Beijing Normal University. After graduation, she went to work for the Ministry of Labor and Personnel under the State Council. Because she was Chen Yun's daughter, officials treated her with special respect and planned to promote her to section chief. However, she was interested in teaching. In 1986, she went to teach junior history in the experimental middle school of the Beijing Normal University.

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REGIONAL

Chen Yun supported her choice.

After Chen Yuan lost the election of the Beijing Municipal CPC Committee, rumor has it that he will be transferred to economic research organs to work as party

cadre; there are also rumors saying that he will be "relocated and promoted"—transferred to other provinces or municipalities to hold important positions.

12302

**Plans for Investment in U.S.**

40060201 Taipei LIEN-HO PAO in Chinese  
1 Mar 88 p 11

[Report: "Taiwan Ratifies its U.S. Investment Plans to Ensure its U.S. Markets; \$2.4 Billion Scheduled for Investment in Four Industries"]

[Text] The Executive Yuan has ratified its U.S. investment plans and will guide Taiwan firms in investing \$2.4 billion in the United States within 5 years in order to mollify the tide of American protectionism and ensure Taiwan's markets in the United States.

Various strategies and specific measures have been set in Taiwan's U.S. investment plans for each of four industries, i.e., high-tech industries, sales, traditional industries, and financial institutions.

1) The tasks that have been planned for high-tech enterprises are: to invest in pioneering U.S. investment companies and become thoroughly familiar with developments in high technology; to urge various research organizations to go to the United States and set up research centers in places where S&T are concentrated; to encourage large Taiwan companies to invest in high-tech U.S. enterprises.

The specific measures that have been planned for high-tech enterprises are: to screen and select pioneering U.S. investment companies that are suited to and willing to accept Taiwan investment, and to urge both government and private enterprises to invest in them; to encourage electronics, mechanics, and chemistry institutes in industrial technology research units of consortiums and corporations to set up small and medium-sized research centers in the United States so as to recruit talented people and raise Taiwan's research standards; to urge Taiwan manufacturers and business firms to buy U.S. companies that would be useful in their development strategies.

2) The strategies that have been planned for sales are to increase Taiwan's sales to the U.S. and ensure access to markets.

The specific measures that have been planned are: to encourage those in particular industries, such as information and machine tools to go to the United States and invest in existing companies; to urge the OEM factory to buy stock in major U.S. businesses; to encourage the establishment of leasing companies by exporters and financial institutions both in Taiwan and abroad in order to help Taiwan's capital sales of machinery and equipment.

3) The strategies that have been planned for financial institutions are to actively promote investment by Taiwan banks in U.S. financial institutions and to allow Taiwan citizens to invest in the U.S. stock markets.

The specific measures that have been planned for financial institutions are: The Ministry of Finance and the Central Bank of China have drawn up specific measures to actively encourage major Taiwan foreign exchange banks to set up branches in U.S. cities, such as New York, Los Angeles, San Francisco, Chicago, and Boston, in order to learn lessons from experience in international banking, train talented personnel, and support Taiwan's U.S. trade and investment.

4) Strategies planned for traditional manufacturing industries are: to urge Taiwan manufacturers and business firms to set up factories in the United States; to use plants on both sides of the U.S.-Mexico border for processing, thereby increasing investment in the US.

The specific measures that have been planned for traditional manufacturing industries are: to guide traditional Taiwan export industries to invest in appropriate U.S. regions in projects suited to the local character and where American industries are in a growth mode; to urge large Taiwan enterprises to invest in the United States in certain locations as a comprehensive entity including their subordinate plants in order to expand their operations and realized trickle-down benefits.

12267/06662

**Views From Taiwan on Opening of Direct Trade With Mainland**

40060202 Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese 29 Feb, 7 Mar 88

[Article by Shih Fei [42587236]: "How Does Taiwan View the Question of Trade with the Mainland?"]

[No 8, 29 Feb 88 p 13]

[Text] Ever since the Taiwan authorities permitted family visits to the mainland, the mainland has grown steadily more "popular" among Taiwan businessmen. The large appreciation of the New Taiwan dollar against the U.S. currency has made it difficult for Taiwan to export its goods to Europe and the Americas, and this has made Taiwan industrialists even more anxious to "advance" on the new markets of the mainland. Thus opening of trade with the mainland has become a hot topic at all levels of Taiwan society and cannot be avoided. In fact, the time has come to confront the issue.

**Lee Teng-hui: The Matter Cannot Be Decided for Now**

To be sure, officials, the people, political circles and businessmen hold different views on this issue.

For example, on 22 Feb, when Lee Teng-hui, after assuming office, was asked by a reporter at the first press conference Lee held since assuming office "whether or not the government might open direct trade with the mainland," Lee answered, "As for the policy on trade

with the mainland, since the government maintains its three-no policy position—no trade, no postal links, and no transport ties, the matter cannot be decided for now. In fact, the mainland really needs technology and investment from Taiwan now that the mainland is busily trying to develop coastal special economic zones and the economies of Hainan island and other areas. But under present conditions, we cannot encourage people to go there.”

#### **Yu Kuo-hwa: Four Worries and Difficulties**

The question of trade with the mainland came up again not long ago at the “premier’s” year-end press conference, where a reporter asked Yu Kuo-hwa: “The government has warned businessmen not to become dependent on trade with the mainland, yet indirect trade and travel to the mainland have grown rapidly. May I ask, sir, if the government plans to allow people to go to and will the government permit direct trade with the mainland, or will the government permit controlled direct trade with and investment on the mainland?” In responding to this question, Yu enumerated a number of concerns and problems: “As for the matter of our trade with the mainland, that occurs indirectly, when our exports to third countries are retraded to the Chinese Communists. The reasoning behind our policy can be explained as follows. First, the Chinese Communists use politics to control the economy, and economic policy is merely one of the tools they use to achieve their political aims. So all of their trade organs are state-run, not private. If we open direct trade with them, they could change their policy at any time and thereby place our business in dire straits. We have experienced that before.”

“Second, our present policy is to accelerate upgrading of our industry so as to enhance the competitiveness of our products. But what the Chinese Communists actually need is low-end consumer goods. Overdependence on this kind of trade would hinder our effort to upgrade our industry.

“Third, the Chinese Communists’ system and laws are completely different from our own, so initiating direct trade with them would immediately engender problems—currency exchange, the question of whose laws would apply and the issue of how to arbitrate commercial disputes. All of these things would increase the risk to our businessmen.

“Fourth, as I have just mentioned, the Chinese Communist regime is very adept at united-front warfare, and they conspire to apply this strategy to everything they do, which will bring trouble and chaos to our society. As for the transshipment of our goods to third regions, that is conducted by intermediaries, who send our products to other regions, sometimes the mainland. Naturally, there is nothing we can do to prevent this from happening, nor need we try to do anything about it. Still, this is beneficial to our businessmen, because it is much safer to go

through third parties, and you do not have any of the risks I just mentioned. That practice provides an extra level of protection for our businessmen.”

#### **The View of the Public: Trade Should Be Strengthened, but Let There Be No Wishful Thinking**

If the Taiwan authorities appear hesitant and apprehensive, the people themselves are much more positive and realistic. In fact, glancing through recent Taiwan economic journals, one discovers many reports and commentaries on the mainland’s economy and even analyses of specific regions, industries and products of the mainland. And repeated calls have been made on Taiwan for indirect and direct trade between the two shores of the Taiwan Strait.

For example, an editorial in the KUNG-SHANG SHIH-PAO stated: “The Chinese Communists have stepped up their united-front warfare against us in recent years, especially in the economic sphere, and this has made many people apprehensive. Yet many other people remain optimistic, believing that Taiwan is very strong economically, that if the Chinese Communists try to wage economic united-front warfare against us it is by no means clear who will unify whom in the end, that we have no need to fear that warfare, that it will not hurt to confront the Communists directly so long as the engagement is advantageous to us, and that we cannot avoid the engagement even if we try. We support this direct approach. In other words, it is our contention that, while we should strengthen economic and trade ties with the Chinese mainland, we should not act hastily or hold any illusions about mainland markets.... For political ends, the Chinese Communists could abruptly terminate—or expand—certain types of trade with any given country, and this is especially so in the case of Taiwan. We must proceed cautiously on this issue. That is why we believe that, in conducting trade and pursuing economic ties with the Chinese Communists, we must not act hastily or indulge in any wishful thinking.” The editorial also noted that “economic ties between Taiwan and the Chinese mainland are already growing, and quickly, too.... And some of our goods are in fact reexported to the mainland by our own traders who have offices in Hong Kong. Thus the notions of reexports and indirect trade have become increasingly meaningless. The most common problem now is the issue of imports from the mainland.... What, after all, is wrong with permitting imports of cheap raw materials produced by the mainland?”

Another example is an article entitled “Will Guangdong Become the Fifth Little Dragon of Asia?” (and subtitled “New Trends in the Mainland’s Foreign-Trade Bases”) that was published in a Taiwan newspaper. This piece provided an objective and detailed account of the investment climate, developmental direction and other such topics regarding Guangdong province. Just look at some of the headings the article employed: “The Chinese Communists Have Improved the Investment Climate in

Guangdong and Hope To Transform the Province into a Little Dragon"; Industry and Trade Have Been Integrated, with Industry Being Primary, in the Hope of Creating a Silicon Valley on the Mainland"; "Great Hopes Have Been Placed on the Rapid Growth of Processing and on Cheap Labor"; "We Must Be Wary of the Competitive Challenge Guangdong Presents Us, and Government Authorities Must Draw Up Appropriate Plans Soon." In conclusion, the article noted, "The main threat to the trade of the Taiwan region from the opening of the mainland to the outside world has come from Hong Kong's neighbor, Guangdong. In addition, the structure of Guangdong's light industry is similar to the traditional industry of the Taiwan region, the province's labor is cheap and the possibility of using the province as a springboard to inland markets has served as a lure to Taiwan entrepreneurs, some of whom have gone there to invest and set up factories. Thus government authorities must draw up plans soon, be vigilant against the competitive challenge Guangdong presents us and squarely face up to the consequences that will result from investments by Taiwan entrepreneurs in Guangdong."

Even though each strata of Taiwan society maintains different views on trade with the mainland, the issue can no longer be dodged and must conscientiously be resolved. Only by facing reality and by seeking appropriate measures can the island effectively increase trade with the other side of the Taiwan Strait and allow both sides to supply each other's needs. The following moves were certainly beneficial: Last August, the Taiwan authorities approved imports of 27 types of raw materials from the mainland, and later extended that approval to 2 more goods. Taiwan economic and trade departments established eight special teams to study issues relating to trade of petrochemicals, electronics, coal, iron and steel, light industrial goods and textiles, electronic informational products, industrial materials and agricultural produce. And legal departments established special case teams and special offices to handle legal disputes between residents of the two sides of the strait.

[No 9, 7 Mar 88 p 33]

[Text]

#### **Taiwan Scholars: Views on Direct Contacts with the Mainland**

The CHING-CHI JIH-PAO of Taiwan reported that Soochow University Professor Hou Chia-chu [0186 1367 7467] invited Lin Chung-hsiung [2651 6983 7160] (Taiwan University professor), Pai Chun-nan [4101 0193 3948] (assistant general manager of the Bank of Communications) and others to participate in a panel discussion of the views on economic issues expressed by Lee Teng-hui at the large press conference the latter held 22 February. The following is the portion of the transcript of that panel discussion relating to trade between the two sides of the Taiwan Strait.

Hou: The two sides of the strait maintain different administrative systems and laws, so direct trade certainly poses a problem.

Pai: We cannot treat trade with the mainland as a form of international trade. The two sides do not recognize each other, so the government's view is that the trade should not be encouraged. Businessmen, though, can seek approaches they deem appropriate. This is the way it should be.

Hou: In addition, we are not permitted to have any contact with Chinese Communist cadres. But the government has permitted family visits to the mainland and recently broadened that permission to include members of the Kuomintang. Clearly this law [forbidding contact with Communist cadres] should be abolished too.

In the next stage, it seems we might consider letting business groups have dealings with individual economic units of the mainland and permit the two sides to exchange ideas on and negotiate problems that crop up in trade dealings ... and the like. We might also use the model we current employ vis-avis countries with which we maintain no formal diplomatic relations but have established economic ties—setting up trade offices in each other's territories. Or we can create free trade zones, permit direct contacts with special coastal zones of the mainland and, when the time comes, discuss the issue of investment.

Lin: The Taiwan area's shortage of labor is becoming increasingly pronounced, and firms recently have swarmed to Southeast Asia to invest. But this will not provide a fundamental resolution to our problem. Moving production to the mainland on an OEM (original equipment manufacture) basis might prove feasible after all.

Pai: The most workable approach now is to seek "offshore" bases in third countries—that would be much more convenient. And Singapore would be the best site for such a base.

Liu Lang [0491 2597]: Shoe manufacturers who attended an exhibition on the mainland discovered many Taiwan confreres at the event. As for bases, the Hainan island special zone may become popular.

Hou: Although Hong Kong is reputed to have major limitations, we should not overlook this potential site. Ideally, relevant units should be able to set up in a private capacity many organs there to serve as bases for continued operations.

At present, we have the Hong Kong Team, which handles trade issues, and the ruling party has its Mainland Work Commission, which gathers intelligence. But we do not an agency that is in charge of overall mainland policy.

**Chao Yao-tung: Openly Discuss Whether or Not To Trade with the Mainland**

According to reports from Taiwan, Chao Yao-tung, chairman of the Council for Economic Planning and Development, has stated that the island should make some choices on the issue of whether or not to trade with the mainland, arguing that the government should study the matter carefully, examine the feasibility of mainland trade for both the short-run and the long-term, and by all means must not deal with the issue behind closed doors and avoid open discussion of it.

In a speech before the Convention To Seek Resolution of a Number of Issues sponsored by the Economy and Life Publishing House, Chao stated that trade with the mainland remains a conundrum, but, he added, no government's decision-making process should be conducted behind closed doors. Instead, he declared, the Taiwan government should take the thorny issue of trade with the mainland to the people for public discussion so as to let businessmen who are concerned about this policy understand the government's stand.

Chao also stated that, historically speaking, it is very difficult for two antagonistic regimes to coexist peacefully, but peaceful economic exchange is possible.

**Twelve "Legislative Yuan Delegates": We Must Boldly and Confidently Initiate Contact With the Mainland**

On 1 March, 12 "Legislative Yuan delegates" issued a joint statement calling for more political reforms and for dialogue with the Chinese mainland. The statement demanded that Taiwan authorities "face reality, stop avoiding the fact that the Chinese Communists have been accepted by international society, courageously do away with [outmoded, useless] "human institutions" and fear of communism, and "boldly and confidently initiate contact, dialogue and exchange" with the mainland.

12431

**Taiwan Journal Evaluates Advisability of Direct Trade With Country**

40060204 Taipei CHING-CHI JIH-PAO in Chinese 7 Mar 88 p 2

[Editorial: "A Discussion on the Question of Opening up Direct Trade with the Mainland"]

[Text] After the mainland Communists opened their doors to the outside world in 1978, trade ties have developed between the two sides of the Taiwan Strait, and the volume of this trade has steadily increased. Yet to date, this trade has not been direct but rather has been conducted as entrepot trade through third countries or third parties. That is to say, goods from Taiwan have entered the mainland and mainland products have entered Taiwan via Hong Kong or Japan. Meanwhile,

there has also arisen a small volume of direct trade, which involves exchanges of goods conducted at sea by fishermen from the two sides, and subsequent smuggling into both countries. With respect to entrepot trade, our government cannot control the actions of businessmen from third countries and thus usually tolerates this trade so long as it does not seriously undermine the security and economic stability of our country. But the government does treat exchanges between fishermen as smuggling, crack down on the activity and will not tolerate it at all. Everyone knows these facts, as there is nothing secret about them.

Nevertheless, after the government rescinded the Emergency Decree last July, some businessmen have come to believe that the government should also lift its prohibition on trade with the mainland Communists and have gone so far as to advocate that even direct trade be permitted. The arguments advanced are as follows. First, the mainland is part of our national territory, the people of the mainland are our compatriots, and there is no reason why we cannot conduct direct trade with our fellow countrymen on our own soil. Second, the mainland is rich in natural resources, whereas Taiwan is resource-poor. Purchasing such cheap raw materials as cotton from the mainland would reduce production costs for our textile and other industries and thus help us expand foreign trade. Third, with its vast population, the mainland has tremendous potential as a market. Direct export of our industrial consumer goods would improve the standard of living of our mainland compatriots and broaden the market for our goods. Fourth, wages are low on the mainland but high in Taiwan, so allowing Taiwan businessmen to invest on and employ the cheap labor of the mainland would help us provide new avenues for investment and resolve our domestic labor shortage. Fifth, our biggest international competitors, such as Korea, are already aggressively importing raw materials from the mainland and thus have reduced their production costs, which puts our products at a disadvantage on world markets. Sixth, the government was able to open up trade with Eastern Europe and other Communist countries, so why can it not permit trade with and investment on our own territory? Seventh, many countries have separated economics and politics in their foreign relations, and this approach keeps political issues political and economic ones economic. Thus our political opposition to the Chinese Communist regime ought not be allowed to obstruct free trade with and investment on the mainland.

Of course, there are other arguments for relaxation of trade with the mainland. All of these arguments appear plausible if one views them from the standpoint of entrepreneurs who engage in business for a profit and who ignore politics. Thus the press has recently placed great pressure on the government, and some popular representatives have rushed to support businessmen advocating trade with the mainland.

Nevertheless, if we step back and examine things from a broader perspective, the issue no longer appears so



simplistic. We must not only take note of the advantages but also the harm of direct trade with the mainland, and we must weigh the pros and cons in terms of both the short-run and the long-term. If we adopt this perspective, we discover that we have to take into account the following facts.

First, even if we could separate politics and economics, the Chinese Communists would never do so. Under Communism, politics has always been in command, and everything must serve politics, economics included. This is even more true in the case of the Communist-controlled mainland, where there is no private enterprise save for peddling and where the Chinese Communists control all production, investment, and trade. Moreover, the Chinese Communists have always used economics and trade as united-front weapons against us, regarded us as their number-one enemy and would take great pleasure in exterminating us. Such proclivities are readily discernible in the recent amphibious-assault exercises the Communists have conducted continuously in the South China Sea and the drills involving 3,000 fishing boats assembled at the mouth of the Min Jiang. Under these conditions, how likely are the Communists to conduct fair trade with our businessmen in accordance with the conventions of the Free World?

Second, the Communists have always been capricious and are totally untrustworthy, having cancelled contracts, torn up agreements and reneged on promises whenever it suits them or if they change their minds—even with businessmen from countries that maintain diplomatic relations with the mainland. No one knows how many Japanese, American and European firms have been burned in this way, because many of those who suffer this treatment do not like to publicize the fact. And there is no shortage of precedents of Taiwan companies meeting this fate, either—the Shih-ch'iao Motorcycle Co of Kaohsiung is one example, and it bellied up as a result of its experience.

Third, legally speaking, the Communists are armed rebels and the mainland is enemy occupied territory to which the government's writ does not run, and theoretically we are in a state of war with the Communists. Thus the government cannot provide appropriate protection for firms that engage in direct trade with the mainland, there is nothing the government can do to help entrepreneurs whose lives are endangered or who suffer losses in property or money, and just as little can be done to solve problems related to such things as taxes, financing, and currency exchange.

Fourth, even if we set aside for the moment the above concerns, approval of direct trade would enable the Communists proudly to crow and noisily to proclaim to the world that our move reflected a regional government's longing for and reidentification its homeland, whereas it would be hard for us to argue instead that the move was tantamount to reunification of the mainland by the Republic of China.

Thus we would prefer to approach the issue of opening direct trade with the mainland with utmost caution. And as a matter of fact, the government has already relaxed restrictions on entrepot trade under four conditions: that national security is not comprised, that the products involved are needed in our agriculture and industry, that the goods assembled or manufactured from the raw materials and parts we export pose no threat to similar products we manufacture, and that products we import do not impact sales of similar goods produced domestically. We believe these conditions are moderate and reasonable, will contribute to the stable development of our economy and will help shield our economy from the united-front warfare waged by the mainland.

In sum, unless the mainland is brought under the rule of the Three People's Principles, it is still too early to speak of Taiwan goods being loaded on ships sailing directly to Shanghai and Tientsin from Keelung and Kaohsiung and returning laden with agricultural and industrial raw materials from the mainland.

12431

#### **Editorial Urges Preparation for GATT Membership**

40060208 Taipei CHING-CHI JIH-PAO in Chinese 5  
Mar 88 p 2

[Editorial: "We Must Be Fully Prepared for GATT Membership"]

[Text] Foreign Minister, Ding Maoshi [0002 2021 2514], in his report to the Foreign Affairs Committee of the Legislative Council, pointed out that the Republic of China is actively applying for GATT membership. We support the government's action wholeheartedly. After World War II, in order to expedite global economic recovery, reduce tariff barriers, promote free international trade, and reestablish international economic order, the U.S. rallied all nations to sign a multilateral agreement based on the principle of mutual favors and benefits and abolition of tariffs and other trade barriers. The resulting GATT was established in 1947. At that time, the Republic of China was among the 23 original signatories. After the fall of Mainland China, we became unable to fulfill our obligations. In February 1950, we withdrew from GATT. It was not until March 1965, at the 23rd GATT general assembly, that we were granted permission to resume participation in GATT activities as an observer. On 25 October, 1971, we withdrew from the United Nations, and GATT took up the question of our right of representation, citing the U.N. resolution which rejected us in favor of the enemy, and cancelled our credential as observer.

During the early days, quitting the GATT had little effect on us, because our foreign trade volume was small, and our 2 major trade partners were the U.S. and Japan, both of which had agreed to continue to adhere to GATT preferential rates, and extend favorable terms. Also,

because of an extended period of global prosperity, our foreign trade was able to flourish. However, since 1980, the global economy has gone into recession; trade protectionism has grown rampant. Not only are there increasing conflicts among the advanced industrial nations over trade issues, exports from the developing nations to the industrialized nations are facing all sorts of restrictions and obstacles. The trade deficit of the U.S. has continued to grow. The bulk of our exports are targeted for the U.S. market, we have a huge trade surplus, and we are the second largest trade partner responsible for the U.S.'s unfavorable balance of trade. Therefore, we have become the target of American trade protectionism. Besides being urged to comply with GATT standards, we are also forced to submit to U.S. demands, under their country's legal provisions, during bilateral talks. Because we are not a GATT member, we are often at a disadvantage at these bilateral talks. When there is a dispute, we are unable to bring the matter to GATT for settlement. World opinion is against us, and it is very difficult for us to make our trade partners limit or reduce their excess demands on us by means of multilateral talks. Meanwhile, the PRC has applied for GATT membership, and if we are not a member, they will use GATT to formulate policies which would hurt us. Therefore, to counteract increasing international pressure, and to protect ourselves against communist conspiracies, we fully support our government's decision to rejoin GATT as soon as possible, in order to protect our rightful place in international trade.

On the other hand, in the past 20 years, because of our flourishing foreign trade, we have become the 14th largest trading nations in the world. We hold an important international position. GATT has changed its negative attitude toward us. We have learned that the U.S., Japan, and some European nations no longer object to our readmission to GATT, and they are even willing to cooperate with us on matters concerning the conditions of our readmission, including the matter of a suitable name under which this country registers as a member. It is reported that our government is willing to negotiate on this matter, as long as our national dignity is upheld, and is willing to be more flexible in considering the requests of the other nations.

Does this development mean that we will have no more problems after we become a GATT member? Things are not that simple. At present, GATT has 93 members, few of which have diplomatic relations with us. In addition to the need for greater diplomatic efforts, and despite the many privileges GATT membership offers, we must first satisfy many conditions, that is, we must abide by the GATT trade regulations, and we must also meet the various standards. GATT qualifications often depend on the applicant nation's financial, economic, and banking systems and policies, and different standards and considerations are used, depending on how well-developed that nation is. Today, our country's per capita income has reached \$5,000, and we are the 14th largest trading nation, so we can expect our membership requirements to be more stringent.

GATT regulations, in principle, obligate member countries to extend most-favored nation treatment and national treatment, and prohibit import-export quotas as well as any kind of non-tariff restrictions, and offer tariff reduction or exemption and consultation to other members. Many of this country's practices and regulations must be modified to comply with existing GATT regulations if we hope to qualify. For example, we have a two-tiered tariff system, and we apply the higher rate to most countries which, based on GATT's most-favored nation treatment principle, qualify for the lower rate. On the matter of import-export quotas, in recent years, we have been actively promoting free trade, and have lifted controls and restrictions on many imports. However, even if some imports are allowed, we still have restrictions on who we buy goods from and who can apply to sell goods to us. All imports must be fully documented and undergo inspection and approval by the relevant departments. These and other practices violate GATT regulations. GATT regulations specify that import-export fees and handling charges must approximate the cost of services rendered, and must not be an indirect way to protect domestic production or a means to fulfill a country's financial goal. However, this country now levies a commercial port construction fee based on the value of the import or export which far exceeds the cost of services rendered, and it is also financially motivated and therefore in violation of GATT regulations. Except for agricultural, forestry, fishery, and other primary products, GATT prohibits subsidies of any kind. At present, the government extends low-interest loans and generous export tax rebates to strategic industries. Our state-run enterprises such as the China Iron and Steel Corp charge different prices for goods destined for domestic sales and goods processed for foreign sales. This and other practices violate the spirit of the GATT regulations. When our government makes procurements, it often limits bidding to domestic companies or accepts American or European ones. The former violates the GATT principle of national treatment, and the latter violates the anti-discrimination provision. There are many other violations of GATT regulations or the spirit of those regulations, and the aforementioned are but some of the more important examples. Before we apply for membership, we may have to make a commitment and set a timetable to rectify our violations. Besides the existing regulations, the on-going sessions in Uruguay will include talks on agriculture, services, and intellectual property rights. At present, we are importing massive amounts of agricultural products, and the farmers have only just begun to rally to our efforts to be self-sufficient. In addition, we tightly control the service industry, and we have little protection of intellectual property. We must remedy or be fully prepared to address these problems before we seek GATT membership.

From the above analysis, we can see that GATT membership offers many benefits, but we must make preparations and some adjustments first, and we must have a program in advance. In our 15 February editorial entitled

"Be Prepared for the Uruguay Sessions," we suggested turning the China-U.S. trade work group into a foreign trade work group. We repeat this suggestion again here today. We should add more personnel and materiel to the work group, improve our preparations to join the GATT, and avoid the embarrassment of being rejected because of failure to meet its requirements.

12986

### **KMT Propaganda Chief Profiled**

40050206a Hong Kong CHAO LIU [TIDE] in Chinese  
No 12, 15 Feb 88 pp 17-18

[Article by Liu Chun-chih [0491 0689 2535]: "From 'Monologue' to 'Dialogue'; Tai Jui-ming's Ideas for Carrying Out Kuomintang Cultural Propaganda Work"]

[Excerpts] The 54 year old Tai Jui-ming [2071 3843 2494] is the ranking officer in cultural propaganda for the Kuomintang Central Committee. He is noted for hard work and for getting things done.

His outstanding characteristic in the conduct of cultural propaganda work is his delight in updating ideas, and in changing the "monologue" nature of official dispatches. In addition to changing the traditional style used in sending official dispatches, he has labored to operate an entertainment and lecture campaign for the public to attain the goal of a "dialogue." By this is meant that he passes along policies and ideas to the public, getting back messages showing reactions from the public, this "dialogue" serving to further understanding and to strengthen "persuasiveness." Of course, going from "monologue" to "dialogue" not only helps "spread" ideas, it also helps nurture "affinity," thereby increasing results in the promotion of policies.

Following graduation from Taiwan University, he worked in Taiwan for a time, and then entered the American Institute of the University of Hawaii on a scholarship in 1966. After earning a masters degree, he pursued advanced studies at the University of Minnesota and Columbia University where he specialized in mass media and foreign relations.

At the end of the 1960's, he returned to Taipei to enter the North America Section of the Ministry of Foreign Affairs as assistant director. Not long afterward, he was transferred to New York as a third secretary in the permanent UN delegation where he assisted Ambassador Liu K'ai [0491 6946]. In the Security Council and at numerous international conferences, he was tempered in diplomatic debate and negotiations.

In 1972, he was transferred to the embassy in the United States as a second secretary.

During his period of service with the UN and at the embassy in the United States, Ch'ien Fu [6929 1788] happened to be the head of the North American Section

of the Ministry of Foreign Affairs, and he had a rather good impression of Tai's work. In 1975, when Ch'ien Fu became director of the Executive Yuan's News Bureau, he invited Tai to return to Taipei to take up the post of acting director of the International Propaganda Department of the News Bureau. Later he formally became the director.

In 1980, he was promoted to assistant director of the News Bureau, serving successively under bureau directors Sung Ch'u-yu [1345 2806 3842] and Chang Ching-yu [1728 0079 5148] in charge of international propaganda work.

In February 1987, Sung Ch'u-yu was transferred to become the deputy secretary of the Kuomintang Central Committee, and it was on Sung's recommendation that he became director of the Kuomintang Central Committee Cultural Work Association.

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### **Analysis of Third Generation KMT Leaders**

40050126b Hong Kong CHAO LIU [TIDE] in Chinese  
No 13, 15 March 88 pp 27-30

[Article by Ch'ien Tai-k'ang [6929 1132 1660]: "The Third Kuomintang Generation and the 'Post-Chiang Ching-kuo Era'"]

[Excerpts] The first generation of the Kuomintang were cadres back in the mainland era, and virtually all of them are now more than 75 years old. The second generation covers the generation that is now between 60 and 75 years old. They completed their university education in 1945 and most of them began public service on the mainland and grew up in the Taiwan political forum of the 1950's and 1960's.

Representatives of this group include Sun Yun-hsuan [1327 6663 3894], Li Teng-hui, Yu Kuo-hua [0205 0948 5478], Li Huan [2621 3562], and Hao Po-ts'un [6787 2672 2625]. The third generation covers the generation that completed their university education after 1949 and is now 60 years old or older.

Vigorous promotion of the first wave of the third Kuomintang generation occurred during the mid 1970's, which was a "golden age for academics joining the government." Most of those who gained rapid promotions were young scholars, the majority of whom had doctorates from foreign universities, had served in universities as assistant professors or professors, and had substantial academic training and experience.

The second wave took place during the early and mid 1980's, which was the period for election of an elite that was to achieve power. They leaped into the political forum, most of them being elected in provincial assembly and county seat mayoral elections.

Representatives of the first wave are Ch'en Lu-an [7115 1462 1344], Lien Chan [6647 2069], Sung Chu-yu [1345 2806 3842], Kuan Chung [7070 0022], Cheng Hsin-hsiung [1774 1800 7160], Chang Jing-yu [1728 0079 5148], Shih Ch'i-yang [2457 0796 2254], Wei Yung [7614 6978], Kao Ming-hui [7559 6900 6540], Li Chung-kui [2621 6988 2710], Sun Chen [1327 7201], Wei O [7614 5501], and Chuang Huai-i [5445 2037 5030].

Representatives of the second wave are Chao Shao-kang [6392 1421 1660], Chien Yu-hsin [4675 0642 2450], Yu Mu-ming [6735 1970 2494], Li Sheng-feng [2621 0524 1496], and Lin Yu-hsiang [2651 6877 4382].

The first and second wave "political elite" overlapped in achieving power. During the "golden age of academics entering government," the "election of the elite" was also born. Examples were Wu Po-hsiung [0702 0130 7160], who built a political base in the Taoyuan area, Kao Yu-chen [75595148 0088] in the south, and Chang Chien-pang [1728 1696 6721] in the north. Chung Jung-chi [6988 2837 0679], who started out in Pingtung County in southeastern Taiwan, was representative of those who came later than they but earlier than Chao Shao-kang [6392 1421 1660].

During the second wave "period of the election of the elite to take power," a number of academics also entered government, acceding to high positions. Examples included Shao Yu-ming [6730 3768 6900], Kuo Nan-hung [6753 0589 1347], Mao Kao-wen [3029 7559 2429], and Juan Ta-nien [7086 1129 1628].

The third category of political elite included not only the two categories of "academics who entered government" and the "elected elite," but also a "professional cadres" category. By this is meant that they were gradually promoted from fairly low positions or from the grassroots rather than having joined the government at the section chief, deputy minister or minister level. Lin Yang-kang [2651 3152 3263], Hsu Shui-te [6079 3055 1795], Ch'ien Fu [6929 1788], Tai Jui-ming [2071 3843 2494], and Chang Hsiao-yen [4545 1321 0917] are this type of cadre.

One major characteristic of the third Kuomintang generation is its fairly young age, its high level of knowledge, and its fairly strong professional background. (Please see the attached table.)

Those at the minister level or its equivalent are mostly less than 50 or just a little over 50; the percentage over 55 is fairly low.

The average educational level of the third Kuomintang generation is higher than that of either the third generation of the Communist Party on the China mainland or the second generation of the People's Action Party in Singapore. Virtually all who are in high level positions

have a fairly high academic background. Among cadres at the minister level, most have doctoral degrees, and the second largest number hold masters degrees.

It is fairly common for high ranking cadres in the third generation of the Kuomintang to have professional qualifications and experience. Most have been professors of the social sciences; second are professors or experts in the sciences and engineering (such as computer experts), and some are recognized professionals such as lawyers, educators, agrotechnicians, news correspondents, or medical doctors.

The Kuomintang's third generation is well-educated, and their thinking has been very greatly influenced by western democratic institutions. With the rise of opposition parties, the inevitable trend will be toward gaining or maintaining power through election to public office. Both Kuomintang and opposition party political protagonists are from a fairly young generation; consequently, the third generation of the Kuomintang is under a fair amount of personal "competitive pressure," which has sparked fairly strong "worry" and a search for survival and development in the midst of reform.

Both the first and second generation of the Kuomintang grew up under one party rule and a general monopoly of power by the Kuomintang. Their authority lies in a large "protective layer." With the gradual liberalization of political power, and particularly with the rise of opposition parties and the ever increasing power of public opinion polls, this "protective layer" of authority will become increasingly weak or nonexistent. This is the "political reality" that the third generation faces. With steady expansion in the budding of political parties and parliamentary competition in which the public's democratic consciousness and desire to participate in government is high, the third generation will find it hard to survive unless it "puts down roots among the electorate." Therefore, most of the third generation of the elite place a lot of emphasis on a "dialogue" with the public; they pay a lot of attention to "intensity" and skills for persuading and winning over; and they are particularly concerned about tactics for and results from image molding, thereby establishing and increasing their political competitiveness to maintain the Kuomintang's dominance.

Not only is there some friction between the aged first generation and the third generation in terms of outlook and interests, there are also some clashes between the third generation of the "elected elite" and the "academics in government" and the "professional cadres." This is related to the sources of their power.

The power of the "academics in government" and the "professional cadres" derives from the Kuomintang-organized appointees. Though they too are subject to "control" by public opinion and public opinion organizations, they have no direct relationship with the electorate from which they derive power.

Though the "elected elite" are either nominated by the Kuomintang or register with the Kuomintang to take part in elections as Kuomintang candidates, their election to office is decided by the votes of the electorate; thus, the power of those elected derives from the electorate, so they must naturally show concern for the interests of electoral districts and the electorate. They are at once both members of the Kuomintang bound by direction and discipline from the party organization, and they must also function in the role of representatives of the people's wishes.

In their dual role, some of the elite have tended to "stray" from the constraints of party organization discipline; thus, they have the awareness of a "vanguard" in the "openness" of their policies and points of view, meaning that they are ahead of the party organization's current policies and set points of view.

Before the Standing Committee of the Kuomintang Central Committee declared its position, both Chao Shao-kang and Li Sheng-feng proposed in the Legislative Yuan that people be allowed to visit relatives on the mainland, and they also urged the Kuomintang legislators to sign a proposal making Li Teng-hui the acting chairman of the KMT, both of these actions "straying" from party organization restraints and exhibiting behavior stemming from the awareness of a "vanguard."

These "elected elite" have, in fact, become a "pressure group" within the Kuomintang, and a "catalyst" for political reform. Nevertheless, they also observe set "limits on conduct," meaning that they do not overstep the supreme political security line of the Kuomintang organization. They are able to accede to public opinion without arousing dissent within the party and social tumult.

It is anticipated that the role of the "elected elite" as a "pressure group" within the party will become stronger.

It may be foreseen that Taiwan's future political development will move in the direction of greater democratization and gradual expansion in the liberalization of authority. As party politics and parliamentary competition become increasingly "intense," the third generation of the Kuomintang will face greater challenges. During the next 20 or 30 years, one of the decisive factors affecting the ability of the Kuomintang to maintain its position as the ruling party will be the number of votes that the third generation and its successors are able to obtain. Unless a "Taiwan independence" split, social disorder, or a Chinese Communist attack on Taiwan occurs, there will be no military interference in government and a reversion to the "martial law" era for Taiwan.

Following dispassionate pondering of the political situation in Taiwan today, the writer would like to make the following conjectures as the conclusion to this article:

Five different kinds of people will be most active in the Taiwan political arena of the future. First will be Taiwanese politicians who benefit from policies that have become more attuned to local issues; second will be forceful persons who control the instruments of "public opinion" following greater democratization; third will be the representatives of large financial groups with a strong desire to participate in government through intense parliamentary campaigns; fourth will be "political stars" who are not any of the above three kinds of people, but who are highly skilled in running for office and who have great charisma, including people like Chao Shao-kang; and fifth is influential high ranking intellectuals outside of government who are actively involved through the influence of their "political commentary." These kinds of people will hold "positions" as transmission intermediaries in "forcing events," and will play political roles as media.

The Third Kuomintang Generation and the "Post Chiang Ching-kuo Era" (Ch'ien Tai-kang [6929 1132 1660])  
Table 1. Third Kuomintang Generation Political Elite (26 Feb 1988)

| Name                                 | Age | Native Place       | Education and Degree                                    | Profession                       | Position   |
|--------------------------------------|-----|--------------------|---|----------------------------------|--|
| 1. Lin Yang-kang<br>[2651 3152 3263] | 61  | Nantou, Taiwan     | Taiwan University,<br>BA, Political Science             | KMT Cadre                        | Director, Judicial<br>Yuan; former Deputy<br>Director, Executive<br>Yuan                           |
| 2. Lien Chan [6647<br>2069]          | 52  | Tainan, Taiwan     | U.S. Educated; PhD,<br>Political Science                | Political Science Pro-<br>fessor | Deputy Director, Exec-<br>utive Yuan; former<br>Minister of Communi-<br>cations                    |
| 3. Ch'en Lu-an [7115<br>1462 1344]   | 51  | Qingtian, Zhejiang | U.S. Educated; PhD,<br>Mathematics                      | Mathematics Professor            | Chairman, National<br>Science Association;<br>former Deputy Secre-<br>tary, Central Commit-<br>tee |
| 4. Wu Po-hsiung<br>[0702 0130 7160]  | 49  | Taoyuan, Taiwan    | (Cheng) University,<br>BA, Business Adminis-<br>tration | KMT Political Cadre              | Minister of Interior;<br>formerly Director,<br>Central Committee<br>Secretariat                    |

The Third Kuomintang Generation and the "Post Chiang Ching-kuo Era" (Ch'ien Tai-kang [6929 1132 1660])

Table 1. Third Kuomintang Generation Political Elite (26 Feb 1988)

| Name                                   | Age | Native Place        | Education and Degree                        | Profession                           | Position  |
|--|-----|---------------------|---|--------------------------------------|---|
| 5. Kao Yu-jen [7559 5148 0088]         | 54  | Tainan, Taiwan      | Taiwan University, Bachelor of Laws         | KMT Political Cadre                  | Chairman, Taiwan Provincial Assembly; formerly director Central Committee Secretariat       |
| 6. Shih Ch'i-yang [2457 0796 2254]     | 53  | Taichung, Taiwan    | German Educated; JD                         | Law Professor                        | Minister of Justice; formerly Vice Minister of Education                                    |
| 7. Hsu Shui-te                         | 58  | Penghu, Taiwan      | Political University, MA, Education         | KMT Political Cadre                  | Mayor of Taipei; formerly Central News Agency Labor Union Director                          |
| 8. Chang Chien-pang                    | 59  | Ilan, Taiwan        | U.S. Educated; PhD, Education               | Educator                             | Chairman, Taipei Municipal Assembly; formerly President of Tanchiang University             |
| 9. Sung Ch'u-yu [1345 2806 3842]       | 46  | Xiangtan, Hunan     | U.S. Educated; PhD, Political Science       | Political Science Professor          | Central Committee Deputy Secretary; former Director Cultural Workers Association            |
| 10. Ma Ying-chiu [7456 5391 0046]      | 38  | Hengshan, Hunan     | U.S. Educated; JD                           | Legal Expert                         | Central Party Headquarters Deputy Secretary   |
| 11. Kao Ming-hui [7559 6900 6540]      | 57  | Taipei, Taiwan      | U.S. Educated; PhD, Philosophy              | Education Expert                     | Central Committee Deputy Secretary and Concurrently Director of Practice Research Institute |
| 12. Kuan Chung [7070 0022]             | 48  | Fengcheng, Andong   | U.S. Educated; PhD, International Relations | Professor of International Relations | Director of Central Organizational Work Association   |
| 13. Tai Jui-ming [2071 3843 2494]      | 54  | Shengxian, Zhejiang | U.S. Educated; MA, International Relations  | Foreign Ministry Cadre               | Director, Central Cultural Work Association   |
| 14. Chao Shou-po [6392 1343 0590]      | 47  | Changhua, Taiwan    | U.S. Educated; JD                           | Law Professor                        | Director, Central Social Work Association   |
| 15. Cheng Hsin-hsiung [6774 1800 7160] | 47  | Wenchang, Guangdong | U.S. Educated; PhD, Guidance                | Psychology Professor                 | Director, Central Overseas Work Association   |
| 16. Huang Kun-hui [7806 2492 6540]     | 52  | Yunlin, Taiwan      | U.S. educated; PhD, Education               | Professor of Education               | Director, Central Youth Work Association  |
| 17. Ch'en Chin-jang [7115 6855 6245]   | 53  | Taipei, Taiwan      | Soochow University, Bachelor of Laws        | KMT Political Cadre                  | Taipei Municipal Party Headquarters Chief   |
| 18. Huang Shun-te [7806 7311 1795]     | 52  | Taipei, Taiwan      | Taiwan Normal University, MA, Education     | Teaching Institute Professor         | Kaohsiung Municipal Party Headquarters Chief  |
| 19. Li Chung-kui [2621 6988 2710]      | 50  | Taixing, Jiangsu    | French Educated; Doctor of Laws             | Foreign Relations Professor          | Director, National Salvation League; former Deputy Director, Central Youth Work Association |
| 20. Ch'ien Fu [6929 1788]              | 53  | Hangzhou, Zhejiang  | U.S. Educated; PhD, Political Science       | Foreign Affairs Cadre                | United States Representative of the North America Coordination Association                  |
| 21. Wei Yung [7614 6978]               | 51  | Huanggang, Hubei    | U.S. Educated; PhD, Political Science       | Political Science Professor          | Chief, Executive Yuan Research and Examination Association                                  |
| 22. Kuo Nan-hung [6753 0589 1347]      | 52  | Tainan, Taiwan      | U.S. Educated; PhD, Electrical Engineering  | Professor of Electrical Engineering  | Minister of Communications; former President of Communications University                   |

The Third Kuomintang Generation and the "Post Chiang Ching-kuo Era" (Ch'ien Tai-kang [6929 1132 1660])  
Table 1. Third Kuomintang Generation Political Elite (26 Feb 1988)

| Name                                     | Age | Native Place       | Education and Degree                           | Profession                          | Position   |
|--|-----|--------------------|--|-------------------------------------|--|
| 23. Mao Kao-wen<br>[3029 7559 2429]      | 51? | Fenghua, Zhejiang  | U.S. Educated; PhD,<br>Mechanical Engineering  | Professor of Mechanical Engineering | Minister of Education; former President of Ch'inghua University                          |
| 24. Ch'ien Ch'un<br>[6929 4783]          | 59  | Hangzhou, Zhejiang | U.S. Educated; MA,<br>Economics                | Finance and Economics Expert        | Minister of Finance; former Deputy Director of the Central Bank                          |
| 25. Wang Chien-hsuan [3769<br>1696 3531] | 50  | Hefei, Anhui       | Political University, MA,<br>Economics         | Finance and Economics Expert        | Vice Minister of Economics   |
| 26. Chang Hsiao-yen<br>[4545 1321 0917]  | 47  | Fenghua, Zhejiang  | U.S. Educated; MA,<br>Foreign Relations        | Foreign Affairs Cadre               | Vice Minister of Foreign Affairs; former North American Section Chief                    |
| 27. Shao Yu-ming<br>[6730 3768 6900]     | 50  | Lanxi, Nenjiang    | U.S. Educated; PhD,<br>History                 | History Professor                   | Executive Yuan News Bureau Chief   |
| 28. Chien Yu-hsin<br>[4675 0642 2450]    | 42  | Taoyuan, Taiwan    | U.S. Educated; PhD,<br>Astronautics Science    | Aeronautics Professor               | Executive Yuan, Environmental Protection Office Director; Legislator                     |
| 29. Li Ch'ing-chung<br>[2621 1987 0022]  | 41  | Hankou, Hubei      | U.S. Educated; MA,<br>Computer Engineering     | Computer Expert                     | Executive Yuan Environmental Protection Office Deputy Director                           |
| 30. Hsiao Wan-chang [5618<br>5502 7022]  | 49  | Chiai, Taiwan      | Political University, MA,<br>Foreign Relations | International Trade Expert          | Director, International Trade Bureau, Ministry of Economics                              |
| 31. Chang Ching-yu<br>[1728 0079 5148]   | 51  | Xiangtan, Hunan    | U.S. Educated; PhD,<br>Political Science       | Political Science Professor         | Director, International Relations Research Center; former News Bureau Chief              |
| 32. Sun Chen [1327<br>7201]              | 54  | Pingdu, Shantung   | U.S. Educated; PhD,<br>Economics               | Economics Professor                 | President, Taiwan University; former Deputy Director Economic Construction Association   |
| 33. Chiang Hsiao-wu<br>[5592 1321 2976]  | 45  | Fenghua, Zhejiang  | Cultural Institute, MA                         | KMT Cadre                           | Singapore Representative; former General Manager, Chung Kuang Company                    |
| 34. Chao Shao-kang<br>[6392 1421 1660]   | 45? | Henan              | U.S. Educated; PhD,<br>Science                 | Parliamentary Politics              | Legislator   |
| 35. Chung Jung-chi<br>[6988 2837 0679]   | 46  | Kaohsiung, Taiwan  | Political University, BA,<br>Journalism        | News Reporter                       | Deputy Director, Central Overseas Work Committee; Member of the Control Yuan             |
| 36. Ku Chia-hua<br>[6253 1367 5478]      | 45  | Anshun, Guizhou    | U.S. Educated; MBA                             | Business Management                 | Member of the Control Yuan; Member of Control Yuan Party Headquarters                    |
| 37. Chou Wen-yung<br>[0719 2429 0516]    | 45  | Taipei, Taiwan     | Chunghsing University, BA,<br>Economics        | KMT Political Cadre                 | Legislator; Chief Secretary, Legislative Yuan Party Headquarters                         |
| 38. Yu Mu-ming<br>[6735 1970 2494]       | 46? | Shanghai           | U.S. Educated; Medical<br>Research             | Anatomy Professor                   | Taipei Municipal Assemblyman and Municipal Assembly Party Headquarters Officer-in-Charge |
| 39. Wu Tung-ming<br>[0702 2639 2494]     | 49? | Huilai, Guangdong  | U.S. Educated; PhD,<br>Civil Engineering       | Military Officer                    | Formerly Chief Bodyguard, Presidential Palace (Lieutenant General)                       |
| 40. Yang Yun-t'ing<br>[2799 7189 0080]   | 61  |                    | Graduate Political Work Cadre School           | Military Officer                    | Deputy Commander, Taiwan Garrison Command General Headquarters (General)                 |